

The background of the cover is a landscape. The top half is a clear blue sky with a subtle gradient from light blue at the top to a deeper blue near the horizon. The bottom half is a lush green field, possibly a meadow or a field of tall grass, with a slight texture visible. The horizon line is a thin, straight line separating the sky and the field.

# AIR WATER

Integrated Report 2024

## OUR PURPOSE

Meeting society's needs  
with nature's blessings.

The Air Water Group is united under the Purpose of "meeting society's needs with nature's blessings." We have been working as one to contribute to enrich our society through solving social issues. Our business provides constant and stable supply of products and services that are indispensable to our daily lives and industry. These fields now range from industrial gases that support manufacturing, to medical care that supports people's lives, to energy, agriculture, and food that are all closely related to our daily lives. The Air Water Group will continue to grow by staying close to people and meeting the various needs of society.

## Management Philosophy

Backed by an entrepreneurial spirit, we dedicate ourselves and our resources to the creation and development of business linking air, water and the earth

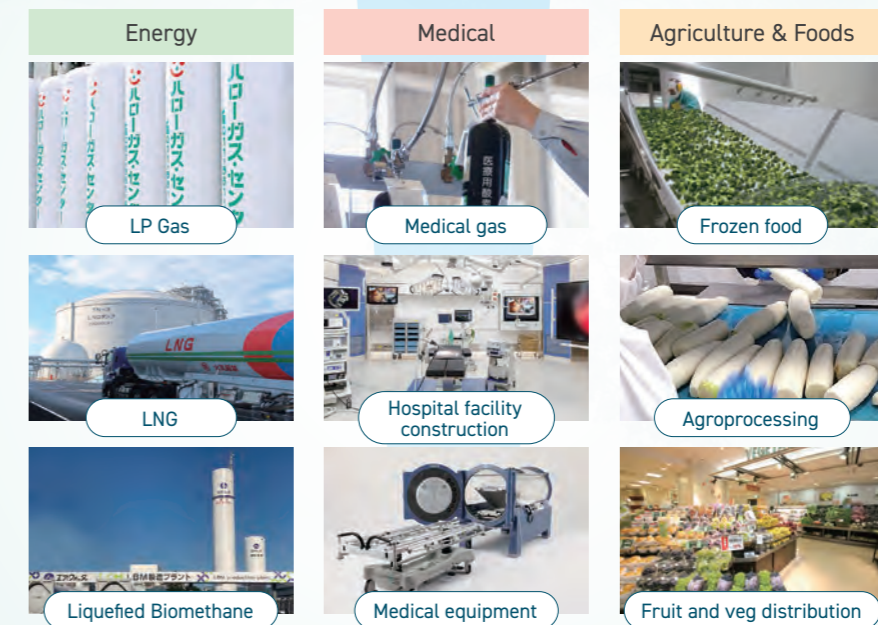
### OUR VISION

Building on Our Foundational Industrial Gas Business to Create New Value through Solving Social Issues

Our industrial gas business of our origin, is the “foundation” of the Company, supporting people’s lives and industry while generating stable cash. For further growth, we are strengthening our business development in “digital and semiconductor related” and “overseas.” In addition, we have established a unique business portfolio in these socially essential sectors such as energy, medical care, agriculture and food - all derived from our industrial gas business. This serves as the backbone that supports our sustainable growth. Going forward, we aim to become an “Essential Company” that contributes to solving social issues by creating new businesses in areas such as carbon neutrality and agriculture through synergies created by our diverse businesses, human resources, and technologies.

# Essential Company

Developing businesses essential to society through our unique business portfolio



Generating stable cash and aggressively invest in “digital and semiconductor related” and “overseas” fields



## On the Publication of the Integrated Report 2024

This integrated report is published aiming to provide our shareholders, investors, and other stakeholders with a deeper understanding of the Air Water Group's vision and initiatives for enhancing corporate value.

In the FY2024 edition, we are going back to our roots to reaffirm that the Group's business portfolio is built with industrial gases as its cornerstone and that we are an "Essential Company" that continues to provide indispensable products and services to society. We will continue to make efforts to further enhance the contents of our Integrated Report to serve as a foundation for deepening communication with all our stakeholders.

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### About the cover

Since its establishment, Air Water Inc. has been evolving the Earth's natural gifts, including air and water, into essential products that are "indispensable" for both people's lives and industry, providing them consistently to society. Together with the abundance of nature, we will continue to create new values that will be necessary for the society of the future. We hope you can sense this commitment through the cover.



**Kumiko Tamura**  
『yourscape "beyond the blue"』  
oil on canvas, 110×85×4cm

I grew up in the rich natural environment of Nagano Prefecture, and the richness and harshness of living with nature became the foundation of my creative work. Wherever I was, my eyes would seek out the greenery, and the question of "how to see nature" has gradually turned into a question about artistic creation. As I continue to paint "new landscapes," now I strongly feel that the world in which we live is in an endless cycle of all kinds and that it exists in harmony with nature.

I am deeply grateful for the opportunity to engage with Air Water's corporate philosophy and I was surprised to find that there are many aspects I can resonate with from an artistic perspective. Art is the connection between nature and people, and it brings me joy to begin the creative process through imagination inspired by nature's beauty. I hope this work, as the one that inspires people to feel "Air and water are also part of the Earth's resources," provides a moment to reconsider the values toward nature.

### Editorial Policy

**Issued**  
Oct. 2024

**Companies covered**  
AIR WATER INC. and the Air Water Group

**Reporting period**  
Apr. 1, 2023 - Mar. 31, 2024  
(Some topics after Apr. 2024 included)

**Accounting standard**  
Unless otherwise indicated, the information is presented in accordance with Japanese GAAP (JGAAP) until FY2018, and International Financial Reporting Standards (IFRS) from FY2019 onward.

**Data validity**  
Information we disclose is subject to annual external verification to ensure its reliability. For more information, please visit the website.

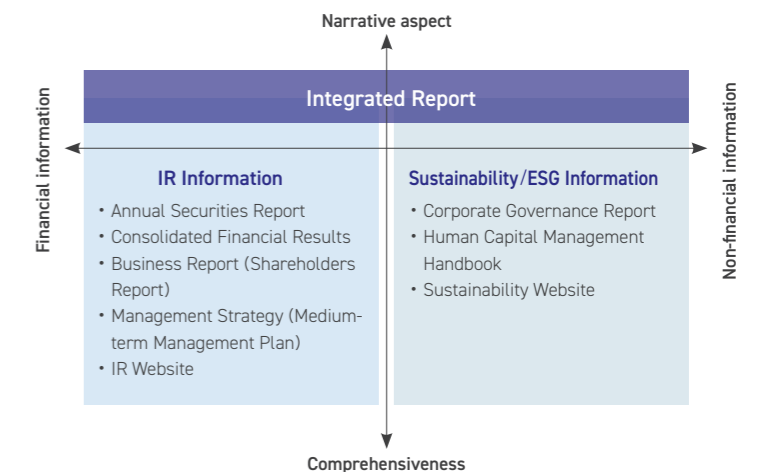
### Guidelines

This report has been prepared in accordance with the International Integrated Framework published by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation 2.0 by the Ministry of Economy, Trade and Industry of Japan.



### Positioning of this Integrated Report

The position of the Integrated Report among our information disclosure is as follows.



### Notes on forward-looking information

This integrated report contains forward-looking information derived from our future outlook and plans. It is based on our judgment in light of the information currently available to us and involves risks, uncertainties, and other factors. Since actual results may differ significantly from the forecasts due to changes in various factors, readers are cautioned not to place undue reliance on such information.

## CEO Message



We will continue to fulfill our mission of solving social issues facing the world as an “Essential Company” that is indispensable to society.

Chairman and Representative Director  
Chief Executive Officer (CEO)

*Kikuo Toyoda*

### Revenue of 1 trillion yen and beyond

Before discussing the future, I would like to first talk about the history of Air Water.

Founded before World War II, “Hoxan Corporation” in Hokkaido and “Daido Sanso Co., Ltd.” in Osaka merged in 1993 to form “Daido Hoxan Inc.,” establishing an industrial gas supply network from Hokkaido to Kyushu. In 2000, “Air Water Inc.” was formed through a merger with “Kyodo Oxygen Co., Ltd.,” a subsidiary of Sumitomo Metal Industries, Ltd. This marked the beginning of our position as a manufacturer with upstream capabilities in industrial gases, taking our first step as a comprehensive industrial gas manufacturer.

During the 10 years from 2000, in order to become a company centered on industrial gas business, we acquired the carbon dioxide business from Mitsui

Chemicals, the hydrogen business from Sumitomo Corporation, and gas plant technology through Shinko Air Water, a joint venture with Kobe Steel, thereby creating the foundation of our industrial gas business.

In 2010, in order to expand our business and grow even more, we set forth our “a trillion-yen company vision,” and for the next 10 years, our “second founding stage” was dedicated to building a group of companies focused on industrial gas to achieve 1 trillion yen in sales.

Starting in 2022, as our “third founding stage,” we have set two growth pillars: Global Environment and Wellness. We are aiming for further evolution under the policy of “strengthening profitability domestically and growing internationally.”

In the 23 years since Air Water was established in 2000, sales revenue has grown 4.6 times and operat-

ing profit 5.3 times, achieving revenue of 1 trillion yen by FY2022. During this time, our relationship with the local community has deepened, and we have felt the change in the role we must play, along with the expectations from society.

The Group has expanded its business areas to include energy, medical care, and agriculture and food by building up related businesses derived from our industrial gas business of our origin through M&A and capital investment. Today, all segments are profitable, and we are proud to say that we have built a stable and unique business portfolio. Industrial gases are the cornerstone of our business portfolio and our greatest strength as a powerful engine of stable cash generation, enabling growth investments over the medium to long term. Going forward, we will enter a new phase of further growth and contribution to society while

strengthening our industrial gas business in overseas areas and in the semiconductor field.

While we have grown by focusing on PL (profit and loss) metrics such as revenue and profit, we remain keenly aware of challenges regarding our stock price and PBR levels. In FY2023, we revised our medium- to long-term ROE target from 10% to 12%. Moving forward, we will further strengthen our profit margin, cash generation capability, and balance sheet (BS) control, while promoting business restructuring through the integration and reorganization of group companies and the reassessment of low-margin businesses. The theme for FY2024 is “Management Evolution.” We aim to improve corporate value through enhancing profitability, capital efficiency, human capital investment, and governance.

## Contributing to solving social issues in the areas of “carbon neutrality” and “agriculture”

In recent years, the environment surrounding us is changing at an increasingly rapid pace, as various social issues such as climate change, energy problems, and food problems pile up. Amid these circumstances, we strongly feel that social demands on companies are also intensified.

In our long-term vision for FY2030 “terrAWell30,” we defined two axes of growth, “Global Environment” and “Wellness,” and set “create new corporate value through solving social issues” as our mission.

The keywords behind this long-term vision are three “100”s. There are concerns about the advent of the “100-year life era” due to population aging and extended healthy lifespans, and the depletion of resources such as food, water, and energy as we approach a “world population of 10 billion.” The key is how to address these social issues with our “over 100 products and businesses” and connect them to our growth strategy. In these uncertain times, we would like to take on the challenge of creating businesses for a better future while confronting these social issues with our “diverse businesses, human resources, and technologies.”

We aim to create new businesses to solve social issues in the areas of “carbon neutrality” and “agriculture,” which are our mid- to long-term focus themes. The foundation in both areas lies in “industrial gas.”

To achieve carbon neutrality, we are working on both our “responsibility” to reduce our own GHG emissions and our “contribution” to reducing GHG emissions across society through our products and business operations (→P32).

In particular, “contributing” to the reduction of GHG emissions in society is a significant business opportunity for us and an aggressive initiative unique to our company. We believe that we can become a market pioneer in the expanding decarbonization market by combining the commercial products, technologies, and expertise we have cultivated in the industrial gas business, including hydrogen and CO<sub>2</sub> capture, in GHG emission reduction.

Meanwhile, Japanese agriculture is undergoing a major transition. In addition to the issues of food security and self-sufficiency, there are issues such as the difficulties in growing crops in the mainland due to extreme weather and the shortage of farmers caused by aging. Furthermore, the food situation is changing moment by moment, with factors such as price increases due to inflation and the weak yen, and the industry is expected to have the potential to grow in

the future. Our Company is originally based in Hokkaido, a region with significant potential as an agricultural production area. We are strengthening our procurement capabilities in Hokkaido by expanding direct purchases from contracted farmers and our agri-support business, which mechanizes and provides harvesting and other farm operations on behalf of our customers. Additionally, we intend to grow as a business while addressing food-related issues that are likely to become more serious in the future by strengthening collaborations with our agri-related capital and business alliance partners who share the same vision, as well as by improving our proprietary gas-based freshness preservation and food processing technologies.

## Continued investment and strengthening of management base to actualize growth strategy

The Company has achieved growth primarily through M&A and capital investment. Following the principle of “no investment, no growth,” we must continue investing to achieve sustainable growth, and at the same time, we will need to accelerate the creation of synergies by more efficient input of management capital (→P24) by combining companies and businesses within the group.

Since assuming the position of Chairman, I have been reorganizing the company while promoting the integration and restructuring of businesses acquired through M&A in order to create synergies among businesses. In order to realize our growth strategy, we need to further strengthen our management base. In addition to enhancing governance and strengthening management control, we will focus on driving innovation through technological development, fostering industry-government-academia collaboration to support our focus areas, advancing AI and DX strategies, and intensifying our efforts in human capital investment. As a unified group, we will work towards the evolution of management.

## Deepening “technological development” and “industry-government-academia collaboration”

Technological development is key to expanding growth areas and creating new businesses. Currently, Development Centers are located within each business group, each focusing on a central theme of “materials for semiconductors,” “decarbonized energy,” “medical equipment,” “smart agriculture,” and “plant technology,” respectively, and are involved from development to commercialization. Apart from this,

there are three company-wide R&D themes.

The first is “industrial gas,” the foundation of the Company. We will develop its utilization and application technologies to create new gas demand. The second is “seawater.” Magnesium extracted from seawater, which is also the origin of our company name, holds unlimited potential, and we will continue to address social issues related to water around the world. The third is “dental pulp regenerative medicine,” which we are the first company in the world to put to practical use in 2020. The current theme is how to utilize “dental pulp,” which is taken from deciduous teeth and other sources. We are advancing research and development with the aim of commercialization and expansion into other areas, such as advancing applied research in various medical fields.

We are strengthening industry-government-academia collaboration as an initiative to support the new business creation. For example, we are collaborating with MITSUI & CO. for overseas expansion, and with SHINMEI Holdings, VEGETECH, and DELICA FOODS Holdings in the agriculture and foods field. We are also promoting open innovation at the “International Advanced Medical Center @Kobe,” which conducts research on dental pulp regenerative treatment, and the “Air Water Kento,” a center for the creation, development, and dissemination of new wellness-related businesses. Furthermore, in December 2024, “Air Water Forest” is scheduled to open in Hokkaido in collaboration with local governments, universities, local companies, and startups, and in 2025, “Nature’s Blessing Farm Matsumoto,” a carbon-neutral resource recycling facility using locally produced and consumed energy, will open. In the future, we will deepen external relationships based on these facilities, leading to new businesses that create new value that contributes to solving social issues.

## Aggressive promotion of AI/DX and investment in human capital

We have already mentioned “management evolution” as a theme for FY2024, and to achieve this, we will accelerate DX initiatives through the utilization of digital technologies such as AI. We will actively promote DX, including AI utilization, in the areas of operations, management, and business, to improve productivity through enhanced operational efficiency and data-driven management, as well as to pursue digital marketing and new business creation.

Human capital investment is also a very important factor in strengthening the management base. With increasing challenges in securing human resources, it



is urgent to create an environment in which employees want to continue working for the Group. Under our medium- to long-term wage policy, we are actively promoting wage increases throughout the Group. Thanks in part to the effects of DE&I (Diversity, Equity & Inclusion) initiatives, we are making progress in promoting younger employees, and the number of female managers is steadily increasing. In addition, we will create an environment where everyone can work energetically and comfortably, including health management, and focus on developing the next-generation management talents who will drive the Group’s growth, leading to the “human capital management” that we should aim for.

## Continuing to be an “Essential Company” indispensable to the world

Under the purpose “meeting society’s needs with nature’s blessings,” the Group will continue to strive to be an “essential company” that is indispensable to society and people’s lives. We will solve global social issues and meet people’s expectations. We will fulfill this mission as a unified group.

Our Company possesses diverse businesses, human resources, and technologies that we have acquired through corporate integration and M&A, and cultivated over many years. In addition to our management base that is resilient to changes in the environment, we also have strong connections with the community, customers, and business partners. We are confident that by maximizing these potentials and the synergies generated from them, we can solve social issues through our business, which only we can do.

Please look forward to Air Water’s future growth and evolution and its journey toward becoming an “Essential Company.”

## COO Message



My mission is to embed a corporate culture of challenge, create breakthroughs, and generate business synergies from diverse management resources.

President and Representative Director  
Chief Operating Officer (COO)

It has been about a year and a half since I was appointed President and Representative Director and COO in April 2023. My role is to execute growth strategies based under the policy of “expanding growth areas,” “creating new businesses,” and “strengthening profitability” as a united group in order to realize the long-term vision “terrAWell30.” I will continue to give my all to fulfill my responsibilities to the fullest to meet the expectations of our stakeholders.

In the past year and a half, as COO, I have closely reviewed the status of all businesses in this Group. Until now, we have prioritized the pursuit of scale, expanding our business and successfully building Air Water’s unique and stable business portfolio. On the other hand, we have also received feedback from shareholders and investors that our management policies and growth strategies are complicated and difficult to understand, and we feel a strong sense of crisis that our stock price and PBR are not reflecting our true value.

For the Group’s further evolution, we have been shifting our management focus to profitability and capital efficiency since last year, and we will strengthen these efforts even more going forward. Along with improving governance, we will promote investment for growth in our focus areas in digital and semiconductor, as well as overseas business to strengthen technological development, while advancing initiatives to create synergies among our businesses.

### Focus Areas:

#### Capturing robust capital investment demand in digital and semiconductor-related field

As one of our focus areas, we are expanding our business for the digital and semiconductor related industries. Currently, Japan is advancing the strengthening of its semiconductor production infrastructure as a national initiative, which we see as a major growth opportunity for our Company. Among them, we are covering various phases of our customers’ semiconductor factories, from construction to operation, and from facility expansion to production expansion, capturing a wide range of demand associated with the growth of the semiconductor market.

For us, the supply of gases, chemicals, and specialty chemicals accompanying the construction and expansion of large-scale semiconductor plants are the source of our business expansion, but we go beyond these to provide comprehensive solutions including

the delivery of equipment and facilities necessary for semiconductor plants and high-purity gas piping work. Furthermore, we differentiate ourselves from our competitors by providing multifaceted support for semiconductor plant operations, including materials management, logistics, and resource recycling.

### Focus Areas:

#### Development in India and North America, and overseas strategy

Another focus area is the expansion of our overseas business. In 2013, we began overseas business development targeting India, where market growth has been remarkable due to an increase in population and domestic demand expansion, followed by North America in 2016, the world’s largest industrial gas market and a place where innovation is thriving. Our strength is our ability to provide added value in the areas of energy conservation, low-carbon and decarbonization, and stable supply through our plant engineering and operation technologies and cryogenic technologies, which we have cultivated over many years. We have the ability to take advantage of these strengths to enter the newly emerging industrial gas market overseas and compete fully with competitors in overseas markets as well. Only a few companies, including ours, have complete in-house technologies ranging from cryogenic air separation, adsorption separation, hydrogen production and its liquefaction, carbon dioxide and noble gas capture and purification, to cryogenic equipment and gas applications. In addition, we will accelerate the pace of growth by establishing business foundations in our target markets through M&A and capital investment.

Currently, we are working to establish a foundation for overseas business primarily in industrial gas business, but in the medium to long term, we aim to solve social issues and create added value overseas as well. We are targeting to increase our overseas sales ratio from 9.8% as of FY2023 to 20% by FY2030.

To Strengthen our overseas business base, in FY2023, we established a new Global & Engineering Group to promote and manage our overseas business development. In addition, we reorganized the Global Management division to centralize functions such as planning, finance and accounting, human resources, legal and compliance, and DX globally to enhance management sophistication while supporting the achievement of business goals and human resource

development. We are in the process of further strengthening our structure to develop and acquire 150 global human resources over the next three years, including the appointment of external personnel.

### Technology development structure and synergy creation

In the past, our technology development structure was divided into a business division for uncovering market needs and a development division, which created issues in the time taken from development to commercialization. Therefore, in 2023, we established a Development Center under each business division, changing the structure to one in which the business group is responsible for everything from marketing to development. Furthermore, in 2024, the Technology Strategy Department and the Intellectual Property Strategy Department, which manage and promote company-wide development, were placed under the direct control of the president. As a technology platform for the entire group, these divisions will provide development support for each business and encourage industry-government-academia collaboration to accelerate the speed of business development.

The distinctive feature of our products and services is that by the supply of gases and chemicals to our customers, we improve their productivity, environmental characteristics, and safety. Although some products may be commodities that are difficult to differentiate from competitors' products, we create unique products by deeply understanding the customer's needs and conditions of use and providing stable supply under optimal conditions, properties, and states. This is precisely what "OUR PURPOSE" is: "Meeting society's needs with nature's blessings." This embodiment leads to our differentiation.

We have created new market and market-leading products such as "V1,"\*1 "VSU,"\*2 and "magnesium oxide for electromagnetic steel sheets." With this new development structure, we will accelerate the creation of new products that will contribute to society.

\*1 V1 : High-purity nitrogen gas generator  
 \*2 VSU : High-efficiency compact liquefied oxygen/nitrogen generator

#### Examples for New Product Creation initiatives

<b>Semiconductor</b>	<ul style="list-style-type: none"> <li>■ Pre-processing Specialty Chemicals</li> <li>■ Post-processing Sealing Materials</li> </ul>
<b>Decarbonization</b>	<ul style="list-style-type: none"> <li>■ Biomethane/Liquefied Biomethane</li> <li>■ Biomethane-derived green H<sub>2</sub></li> <li>■ CO<sub>2</sub> Recovery Equipment</li> </ul>
<b>Gas Application</b>	<ul style="list-style-type: none"> <li>■ Maintain food freshness through atmosphere control and cryogenic technology</li> </ul>

### Expansion of human capital investment

I believe that business strategy and human resource strategy are the two wheels of corporate management, and human capital investment is essential for the Company's sustainable growth.

In the industrial gas industry, where differentiation from competitors is challenging, we believe that the key lies in our employee's capabilities and technical skills to respond meticulously to customer needs. Going forward, it is crucial to continue to develop and strengthen professionals in development, design, and operations. We will be even more proactive in strengthening human resource development initiatives and improving compensation and benefits.

We believe that the most effective means of human resource development is to provide employees with opportunities to challenge themselves and encourage breakthroughs. Our strength is that we have not merely streamlined and improved efficiency, but also have sensed potential needs and made breakthroughs in the field as we meticulously responded to our customers' requests. Once again, I would like to make "a corporate culture of challenge" take root in the company.

### Financial Strategy

#### To improve capital efficiency

To enhance medium- and long-term corporate value through sustainable growth, the Group pursues both capital efficiency and profitability while maintaining financial soundness. In December 2023, we changed our medium- to long-term ROE target from 10% to 12%



or higher, and we will implement the necessary measures to achieve this target.

In addition to improving business profitability, each business division will revamp and properly monitor its performance management system to strengthen ROIC and cash generation capabilities, thereby improving the capital efficiency of the entire company. In addition, following FY2023, we will continue to implement thorough price management aligned with services in all of our businesses, while promoting ongoing productivity improvements to strengthen overall profitability.

Furthermore, we will work to ensure that each business unit secures appropriate production volumes, maintains proper inventory control, implements asset-light approaches, and utilizes DX and labor-saving technologies to streamline and improve the efficiency of business operations. Through these series of measures to improve capital efficiency, we aim to further expand operating cash flow.

As for financial soundness, we will maintain our current medium-term management plan's target range for the net D/E ratio of 0.8-1.0 times as our financial discipline target. On the other hand, concerning cross-shareholdings, we plan to accelerate their reduction while considering market impact, aiming to improve capital efficiency. Following the Basic Corporate Governance Basic Policy, we report to the Board of Directors once a year on our verification results regarding the significance and rationality of holdings from a medium- to long-term perspective.

#### Growth investment and cash allocation

The Group utilizes cash flows generated from operating activities, etc., for growth investments that contribute to medium- and long-term corporate value enhancement, such as M&A, capital expenditures, R&D, and human capital investments, while considering fi-

nancial security. During the three-year medium-term management plan period starting from 2022, we are focusing our investment mainly on strengthening industrial gas business in India and North America, and expanding our business for the semiconductor industry in Japan.

When evaluating individual investment projects, the Investment Committee deliberates and verifies the strategic significance to the Company, geopolitical and foreign exchange risks, and countermeasures against such risks, in addition to profitability, capital efficiency, and investment payback period. In the case of M&A, we carefully select M&A projects considering PMI (Post-M&A Integration Process) plans, etc. Even after investment execution, we establish evaluation indicators for investment recovery monitoring and regularly verify the return on investment.

In terms of shareholder returns, we aim to maintain stable dividends with a payout ratio of 30% as our benchmark. In FY2023, we achieved an annual dividend of 64 yen with a payout ratio of 32.9%, realizing more than an eight-fold increase in dividends over the past 20 years. We intend to further enhance shareholder returns by improving our cash generation capabilities.

### In conclusion

My primary role as COO going forward is to evolve and grow the Group and maximize our corporate value. Through our unique and stable business portfolio, which is indispensable to the world, we will enhance our raison d'être by continuing our efforts to create businesses to solve social issues.

We believe that we must continue responding to society's needs by actively engaging in open dialogue with various stakeholders, including employees, customers, business partners, shareholders, and investors, and by incorporating these learnings and insights into our management.

To sustainably enhance corporate value, in addition to sophisticating group governance and accelerating strategy implementation, we will more proactively communicate with shareholders and investors regarding management policies, medium- and long-term growth strategies, progress, and results.

The Company will continue to strive to contribute to the realization of a more prosperous society through our business activities under our vision of "create new corporate value through solving social issues."

We appreciate your continued understanding and support.



# Growth Path and Business Portfolio Transition

Achieved 30-year CAGR of 6.5% in revenue and 7.3% in operating profit

Air Water was established through two mergers in 1993 and 2000.

After 2000, when Air Water was in the "first founding stage," we established a solid foundation as an industrial gas manufacturer.

After 2010, when it entered the "second founding stage," we established our own stable business portfolio by expanding our business areas to include medical care, agriculture and food, and seawater as "indispensable businesses for people's lives" related to industrial gases while making full

use of M&As.

Over the 30 years since Daido Hoxan was established in 1993, our CAGR (compound annual growth rate) has reached 6.5% for revenue and 7.3% for operating profit. Since 2010, ROE has also maintained a stable 10% level as we expanded our business while improving capital efficiency.

From FY2022 beyond, our "third founding stage," we are now aiming to create new corporate value by solving social issues through synergies that combine the Group's strengths in diverse businesses, human resources, and technologies.

## 2000 — The 1st founding stage

Solidified foundation as a comprehensive industrial gas manufacturer  
Also expanded business areas through M&As

2000  
Merged with Kyodo Oxygen  
Started as AIR WATER

220.8 billion yen

7.0%

13 billion yen

## 1993 —

Emerged as a strong, integrated industrial gas manufacturer after two mergers

1993  
Hoxan and Daido Sanso merged

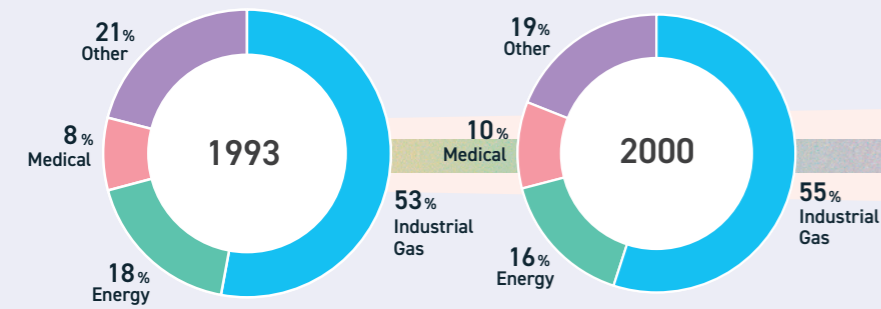
155.4 billion yen

2.2%

5.3 billion yen

1993

2000



## 2010 — The 2nd founding stage

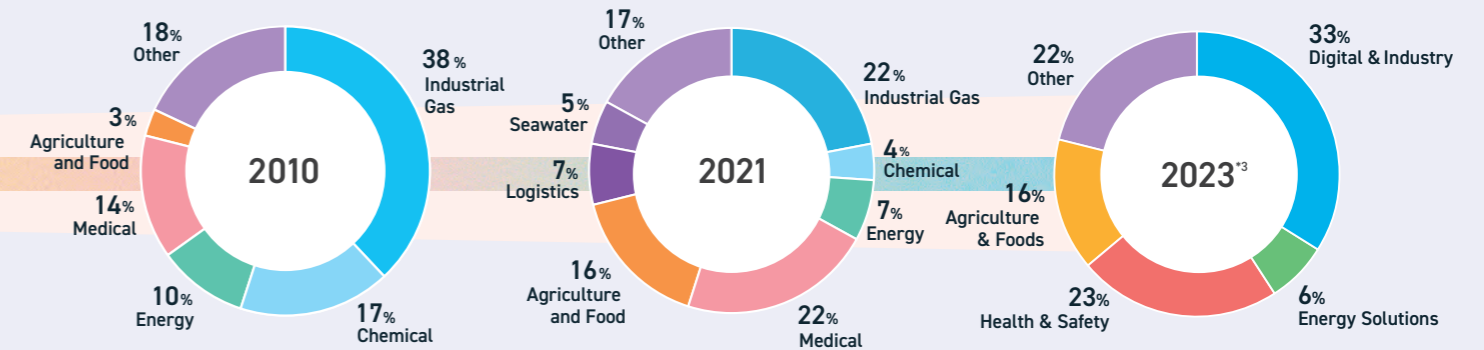
Further expanded business areas toward a 1-trillion yen company  
Established a unique and stable business portfolio

471.8 billion yen

33 billion yen

7.5%

2010



## 2022 — The 3rd founding stage

Creating new corporate value by solving social issues

FY2023 Revenue<sup>1</sup>  
**1.0245**  
trillion yen

FY2023 Operating profit<sup>2</sup>  
**68.3**  
billion yen

FY2023 ROE  
**9.7%**

2022 2023

\*Pie charts shows revenue composition by business segment.

\*1 Net sales until FY2018 (Japanese Accounting Standards)

\*2 Ordinary Income until FY2018 (Japanese Accounting Standards) (International Financial Reporting Standards applied from FY2019)

\*3 Segments were reclassified as follows in Q1 FY2022, Industrial Gas and Chemical were consolidated into Digital & Industry; Energy was renamed Energy Solutions; Medical to Health & Safety; Agriculture and Food to Agriculture & Foods; while Logistics, and Seawater were reclassified under Other.

# Our Value Creation History

Air Water was established in 2000 by three companies with different histories and cultures, "Hoxan," "Daido Sanso," and "Kyodo Oxygen," who came together under the mission and significance of supporting people's lives and industry through industrial gases. Since then, we have expanded its business areas through M&As centered on industrial gas operations. The diverse businesses, human resources, and technologies that we have cultivated over the years serve as the foundation of the Group's contribution to solving social issues and achieving sustainable growth.

## 1929 — History of the three founding companies A time when "oxygen users" started companies with a mission.

### Hokkai Sanso 1929 Established: Sapporo City (Renamed Hoxan Corporation in 1966)

Established to save lives and serve the development of Hokkaido under the devastating conditions of the Spanish flu epidemic of the time, which did not provide an adequate supply of oxygen.

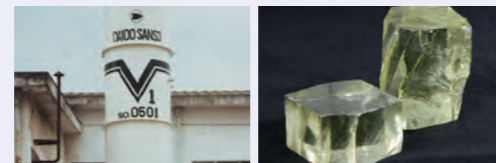


#### Businesses leading to the present

- Medical gas supply
- Sales of LP gas for residential use
- Production of frozen foods using liquid nitrogen

### Daido Sanso 1933 Established: Osaka City

Founded by a group of vibrant Osaka small- and medium-sized entrepreneurs to produce and procure their own oxygen, which before the war had been preferentially sent to the munitions industry.



#### Businesses leading to the present

- Developed nitrogen gas generator "V1"
- Gas supply for semiconductor industry
- Investment in seawater business

### Kyodo Oxygen 1962 Established: Wakayama City (subsidiary of Sumitomo Metal Industries, Ltd. now Nippon Steel Corporation)

Founded as a subsidiary of Sumitomo Metal Industries to specialize in supplying oxygen to the company's steel mills, during the period of rapid economic growth in Japan and rapidly increasing demand for steel.



#### Businesses leading to the present

- Gas supply to domestic steel mills
- Manufacturing to functional chemicals

## 2000 Daido Hoxan and Kyodo Oxygen merged into Air Water

A Nationwide Business Network  
×  
Synergy of Diverse Technologies, Human Resources, and Corporate Cultures

## 1993 Hoxan and Daido Sanso merged into Daido Hoxan

Business Area Expansion  
×  
Establishing the Groundwork for Diversification

## 2000—2021

Solidified a position as an "industrial gas manufacturer," and expanding business areas into medical, agriculture and food through M&As

### Strengthening the foundation of industrial gas business



- 2002 Started carbon dioxide and hydrogen gas business
- 2002 Started air separation plant manufacturing technology
- 2004 Installed VSU\* in areas with no gas supply
- Over the following 18 years, developed 22 domestic facilities
- 2008 Started semiconductor and electronic materials trading business
- 2018 Started equipment and device business for semiconductors

\*High-efficiency compact liquefied oxygen/nitrogen generator

### Enhanced our lifestyle-related products and services



- 2002 Started production business of ham and sausage
- 2003 Started hospital facility construction, contract sterilization, and SPD business
- 2007 Started salt manufacturing business (Nihonkaisui Co., Ltd.)
- 2011 Started dental care business
- 2012 Started beverage manufacturing outsourcing business
- 2016 Started sanitary materials business (Kawamoto Corporation)

## 2022—Present

Toward becoming a trillion-yen revenue company: We are integrating the directions of our diverse businesses into two growth axes, "Global Environment" and "Wellness," aiming for sustainable growth through our business activities that contribute to solving social issues.

### Management Progress



#### FY2022

- Achieved revenue of 1 trillion yen
- Announced "terrAWell30," a vision toward 2030
- Upward revision of CO<sub>2</sub> emission reduction targets
- Endorsed TCFD Recommendations

#### FY2023

- Achieved record-high revenue and operating profit
- Established the "Hometown Support H Program," a donation system for Hokkaido municipalities
- Started collaboration with four major domestic agribusiness companies

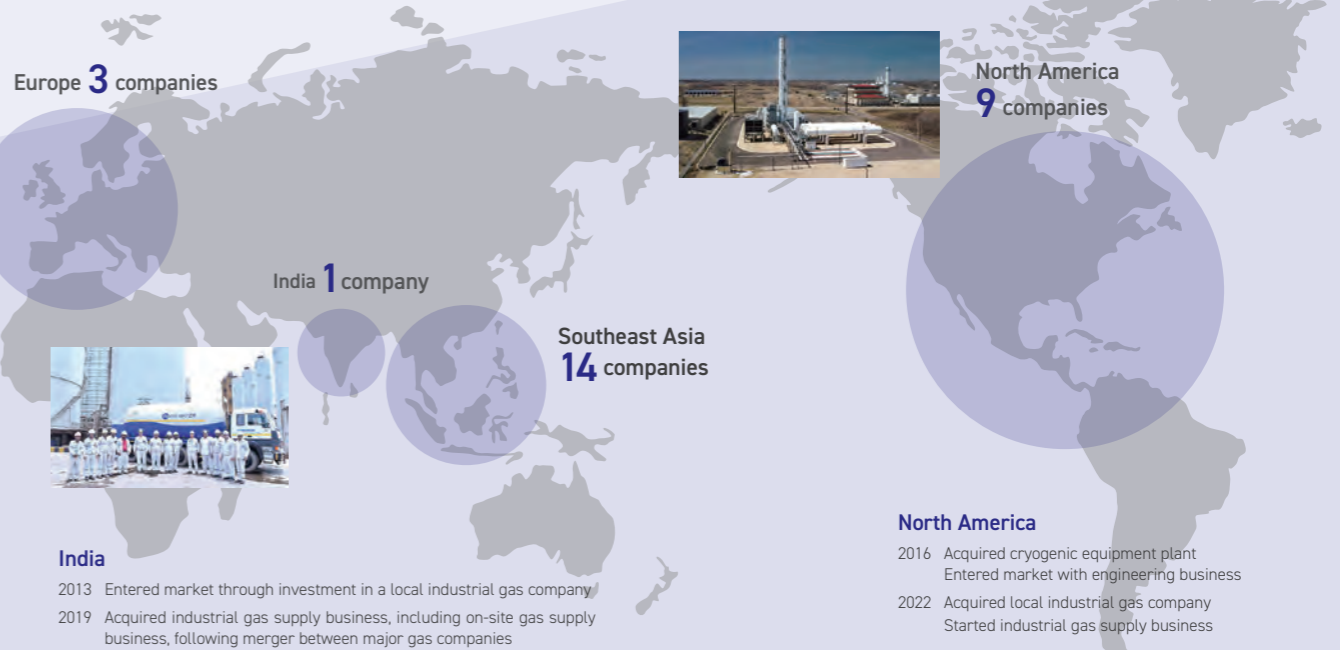
### Full-scale overseas business development

#### India

- Secured on-site gas supply contract with Steel Authority of India Limited (SAIL)
- Constructed manufacturing facility in Chennai

#### North America

- Secured on-site gas supply contract in NY
- Acquired helium supply business in the U.S.
- High-power UPS (uninterruptible power supply)**
- Received orders for large-scale projects driven by data center market growth



#### India

- 2013 Entered market through investment in a local industrial gas company
- 2019 Acquired industrial gas supply business, including on-site gas supply business, following merger between major gas companies

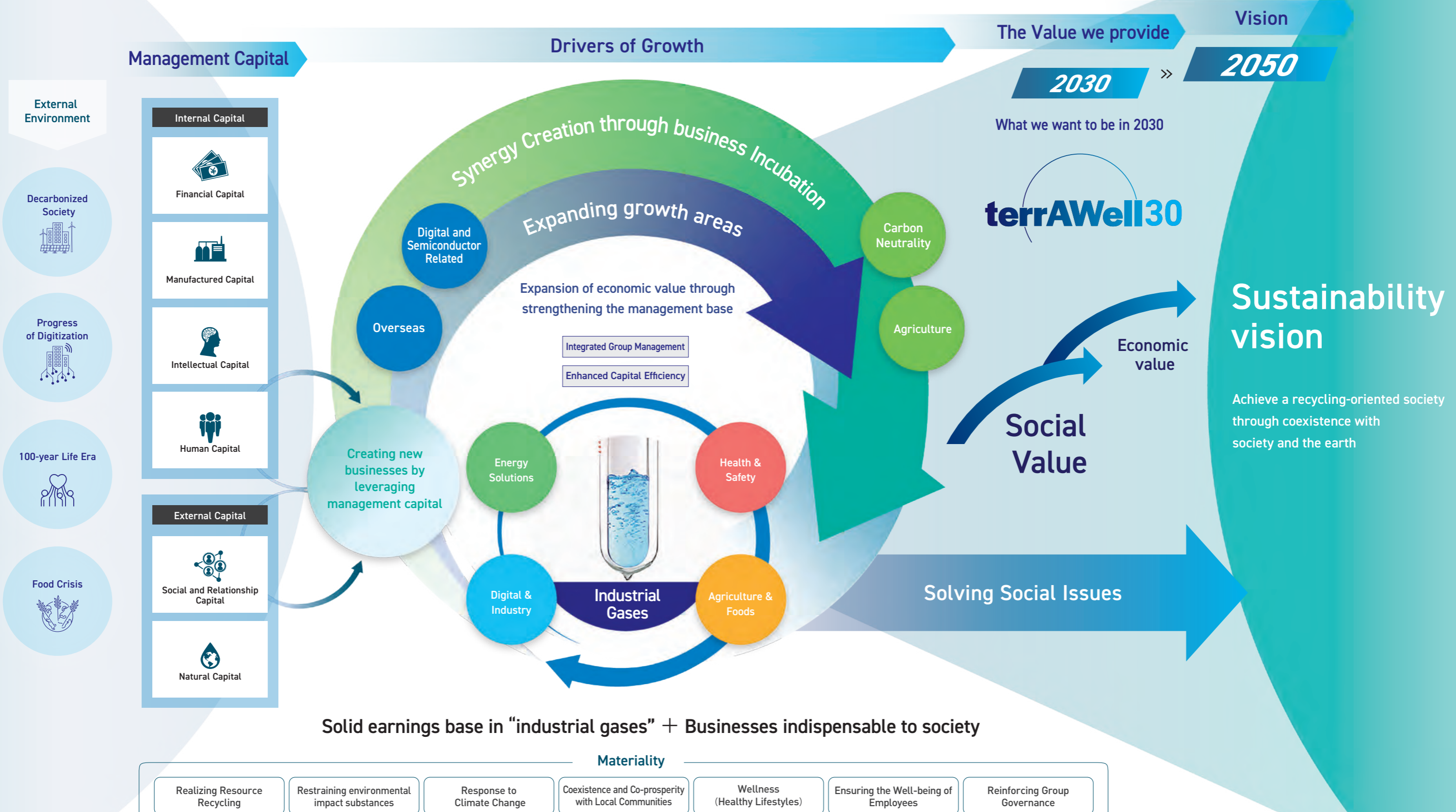
#### North America

- 2016 Acquired cryogenic equipment plant
- Entered market with engineering business
- 2022 Acquired local industrial gas company
- Started industrial gas supply business

# Value Creation Process

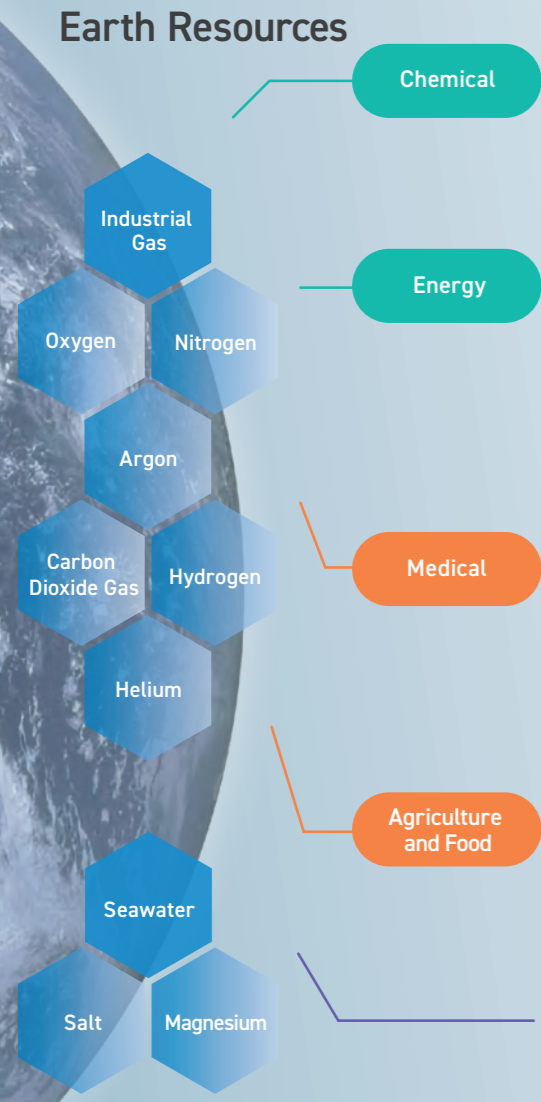
**Our Purpose** Meeting society's needs with nature's blessings

In line with the Air Water Group's Purpose, "meeting society's needs with nature's blessings," we have developed businesses that are indispensable to people's lives and industry, with industrial gases as our core business. While solidifying the foundation of our industrial gas business as a cash cow through the growth areas in digital and semiconductor-related businesses and overseas expansion, we will further strengthen and promote synergy creation and business incubation through our diverse business portfolio. In addition, we aim to realize the Sustainability Vision of "achieving a recycling-oriented society through coexistence with society and the earth" by developing new businesses that address social issues, particularly in carbon neutrality and the agriculture field.

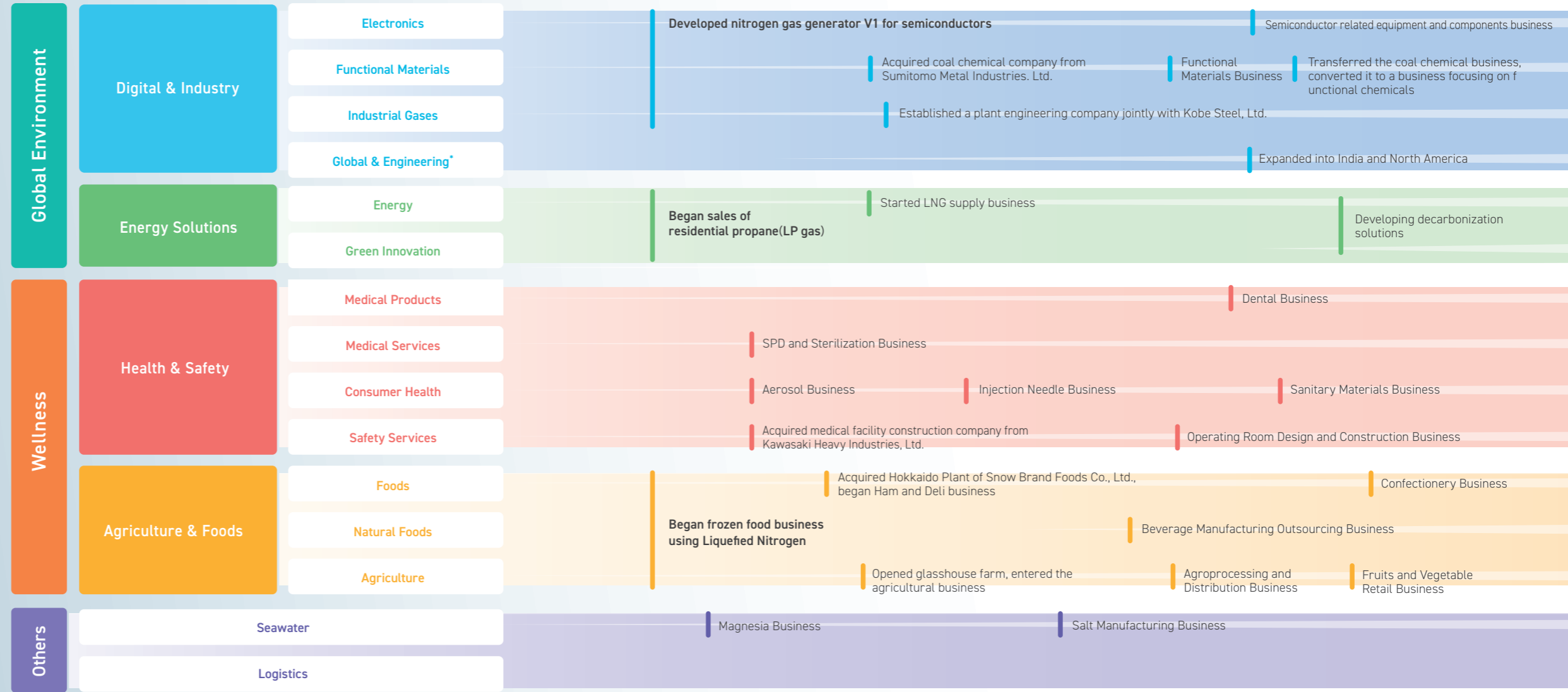


# The Driving Force for Value Creation Expansion of Business and Diversity of Human Resources through M&A

M&A of Air Water is not just "add up." It has realized to create new value by "multiplication" by successfully integrating organizational culture, human resources, and technology with existing businesses. Our M&As have facilitated the creation of common management and synergies between businesses, enabling us to maintain and create high market share products and services. This is because we have promoted "related-type diversification," focusing on the relatedness of core technologies, areas, and business models of industrial gases.



## Peripheral Business Areas Expanded from Industrial Gas



\*Transferred to the business segment Others from FY2023



## An organizational culture integrating various cultures and values is fostered

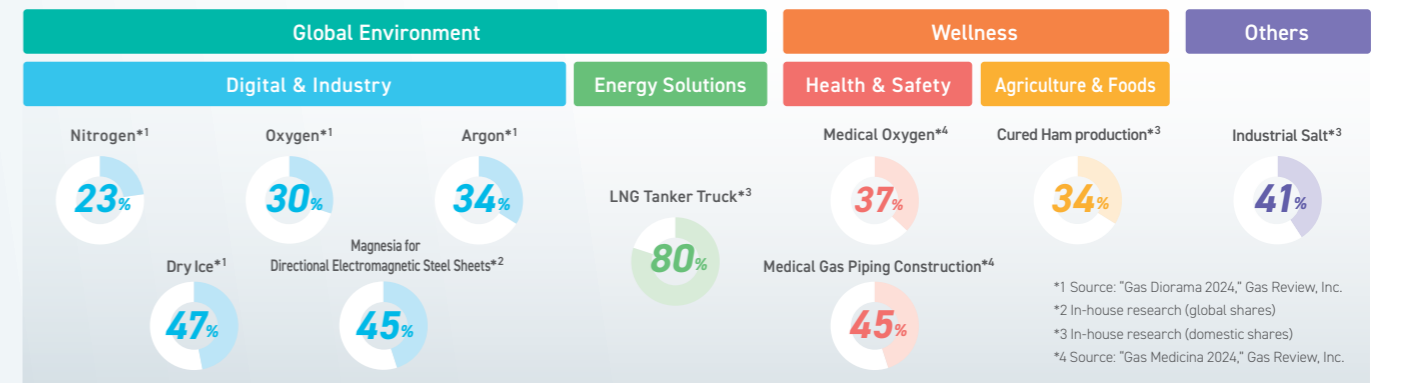
In addition to the strengths of each business that have joined the group through M&A, we have taken advantage of human resources with diverse experience and capabilities.

Number of Group Employees	Number of Overseas Employees	Engineering Human Resources	Group R&D Personnel
<b>20,348 persons</b>	<b>3,471 persons</b>	<b>629 persons</b>	<b>298 persons</b>

(as of Mar. 31, 2024)

We have created synergies with existing businesses by capturing non-core and other businesses of major companies at low cost and low risk. We are refining our competitiveness through capital investment, integration and reorganization.

## Maintain high market share in wide range of business areas



# Management Capital

To create corporate value for the Group, we will strategically strengthen and utilize our management capital, leveraging the stable cash generating capability built on our industrial gas foundation.

## Financial Capital

A financial foundation that generates stable cash to enable investment in growth areas

Operating cash flow (FY2023)	79.6 billion yen
Shareholders' equity* (as of end of FY2023)	488.6 billion yen
Interest-bearing debt (as of end of FY2023)	443.3 billion yen
Net D/E ratio (as of end of FY2023)	0.77
Rating (JCR) (As of Sept. 30, 2024)	AA-

\*Equity attributable to owners of parent

## Intellectual capital

Gas engineering technologies that enable us to provide optimal solutions in response to customer needs and demands changing

Number of patents held by the Group (as of March 31, 2024 / including pending applications)	1,918 cases*
Open Innovation Centers (Including base scheduled to open in December 2024)	4 locations

\*1,285 cases in Japan, 633 cases overseas (across 27 countries, including patents held by 41 group companies and jointly owned patents with other companies)

## Social and Relationship Capital

Industry-government-academia collaboration to promote open innovation  
The Community-based network built through industrial gas business

Industry-government-academia collaboration	269 cases
Donations through the "Hometown Support H Program"	18 municipalities (projects)

## Manufactured Capital

Gas production bases throughout Japan that enable a stable supply of industrial gas and local production for local consumption  
Nationwide logistics bases supporting all business operations

Capital investment (FY2023)	73.3 billion yen
Domestic Locations	704 locations
Of which, Logistic Bases	100 locations
Of which, stable supply systems for industrial and medical gases (VSU plants)	22 units
Of which, R&D sites	38 locations

## Human Capital

Human resources to realize the growth of the Group

Total Number of Group Employees (as of end of FY2023)	20,348 persons
Of which, Group R&D Personnel (as of end of FY2023)	298 persons
Of which, Engineering Human Resources (as of end of FY2023)	629 persons
Of which, Percentage of Women in Managerial Positions (as of end of FY2023) *AIR WATER INC. only	5.5%
Of which, Percentage of Women in Leadership Positions (as of end of FY2023) *AIR WATER INC. only	24.0%

## Natural Capital

Air, resources such as livestock manure, energy, and water necessary for the Group's businesses

Energy consumption (electricity) (FY2023)	3,744 million kWh
Water consumption (FY2023)	193 million m <sup>3</sup>

# Materiality

Materiality	Risks and Opportunities	Highly Relevant Business Domains	Related SDGs
1 Response to climate change	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Using biomass to establish the locally produced and consumed energy supply system</li> <li>Switching from petroleum-based energy to low-carbon energy and offering the related equipment</li> <li>Providing decarbonization solutions such as next generation fuels (hydrogen, liquefied biomethane)</li> </ul>	● ● ● ● ●	7, 9, 11, 12, 13
	<b>Risks</b> <ul style="list-style-type: none"> <li>Stricter regulations on fossil fuel use and CO<sub>2</sub> emissions</li> <li>Shrinking existing energy markets with less demand due to energy conversion</li> <li>Negative impacts on production activities and logistics functions caused by increasingly severe natural disasters (high tides, floods, etc.)</li> </ul>		
2 Realizing resource recycling	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Providing capture, refining, and purifying systems for industrial emissions (CO<sub>2</sub> capture and fixation, etc.)</li> <li>Reducing waste by promoting recycling and reuse</li> <li>Building a waste-recycling supply chain (e.g., treatment systems for food waste, livestock manure)</li> </ul>	● ● ● ● ●	6, 11, 12, 13
	<b>Risks</b> <ul style="list-style-type: none"> <li>Stricter waste treatment restrictions and higher disposal costs</li> <li>Spreading environmental issues/risks due to resource depletion, population growth, etc.</li> </ul>		
3 Restraining environmental impact substances	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Providing waste gas refining equipment, water treatment facilities, and products for waste gas/water and soil remediation</li> <li>Using plastic alternatives in drink containers and packaging materials</li> </ul>	● ● ● ● ●	6, 11, 12, 13, 14, 15
	<b>Risks</b> <ul style="list-style-type: none"> <li>Water's scarcity and worse quality impacting procurement/production activities</li> <li>Higher costs due to tighter regulations on chemical substance</li> <li>Tighter plastic restrictions</li> </ul>		
4 Coexisting and Co-prosperity with local communities	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Providing solutions to minimize risks from natural disasters</li> <li>Delivering products and services that contribute to the better social infrastructure system such as sewage systems</li> <li>Creating businesses that boost regional employment and revitalize regional economies</li> <li>More needs for smart factories and smart agriculture</li> </ul>	● ● ● ● ●	2, 3, 6, 8, 9, 11, 12, 13
	<b>Risks</b> <ul style="list-style-type: none"> <li>Declining local economies due to fewer population (falling birthrate and aging population) and urban concentration</li> <li>Increasing in severity of damage from natural disasters</li> <li>Increasing operation and maintenance costs due to aging social infrastructure</li> </ul>		
5 Wellness (Healthy living)	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Delivering products and services that contribute to the advancement and remote control of medical care</li> <li>Delivering products and services that enable self-medication</li> <li>Supplying food ingredients that are tasty, safe, reliable, and healthy</li> </ul>	● ● ● ● ●	2, 3, 8, 12
	<b>Risks</b> <ul style="list-style-type: none"> <li>Increasing medical costs by aging population and extending healthy-life expectancy</li> <li>Changes in disease patterns, including chronic and complex lifestyle diseases</li> </ul>		
6 Ensuring the well-being of employees	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Enhancing workstyle and work-life balance through ICT</li> <li>Promoting employee's career development and diversity management</li> <li>Promoting a workplace environment where employees can work with peace of mind and in good physical and mental health</li> </ul>	● ● ● ● ●	3, 4, 5, 8, 10, 11, 16, 17
	<b>Risks</b> <ul style="list-style-type: none"> <li>Decreased labor productivity and outflow of excellent human resources if without appropriate measures</li> <li>Risk of impaired employee's health</li> <li>Diversified values of employees by business globalization</li> </ul>		
7 Reinforcing group governance	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Enhancing internal controls by integrating/reorganizing subsidiaries</li> <li>Ensuring compliance and reinforcing risk management</li> <li>Higher stakeholders' trust through greater transparency</li> </ul>	● ● ● ● ●	8, 16, 17
	<b>Risks</b> <ul style="list-style-type: none"> <li>Business continuity risk and unexpected losses from dysfunctional internal controls</li> <li>Losing social credibility due to compliance violations</li> <li>Inadequate risk management due to M&amp;A and business expansion</li> </ul>		

● Digital & Industry ● Energy Solutions ● Health & Safety ● Agriculture & Foods ● Other (Logistics / Seawater / Global & Engineering / Electric Power)

# Our vision toward FY2030 = terrAWell30

## Our Purpose

Meeting society's needs with nature's blessings.

"Terra" means the earth in Latin, and "Well" comes from wellness = healthy life. The name "terrAWell30" represents our aspiration that AW (AIR WATER) will connect the earth and wellness.



## The "terrAWell30" concept

The Air Water Group will contribute to solving social issues through its business activities in line with the two growth axes of "Global Environment" and "Wellness" toward 2030, taking into account social challenges such as climate change and super-aging society, to achieve sustainable growth and enhance corporate val-

ue. We will aim to maximize both economic and social value through "creating new corporate value by solving social issues," and by achieving synergies generated by creatively combining "diverse business, human resources, and technologies" acquired over approx. 20 years since Air Water's establishment.

## Capital Efficiency Initiatives

Through the pursuit of integrated group management, the Group's management resources will be totally optimized, increasing capital efficiency.

ROE: **12%** or higher

ROIC: **8%** or higher

**Increased Profitability**  
Operating Profit **160** billion yen  
Operating Margin: 10%

**Non-financial KPIs**  
GHG emissions cut **30%**  
(vs. FY2020)  
Waste recycling rate **80%**  
(65% in FY2021)  
Water consumption intensity cut **10%**  
(vs. FY2021)



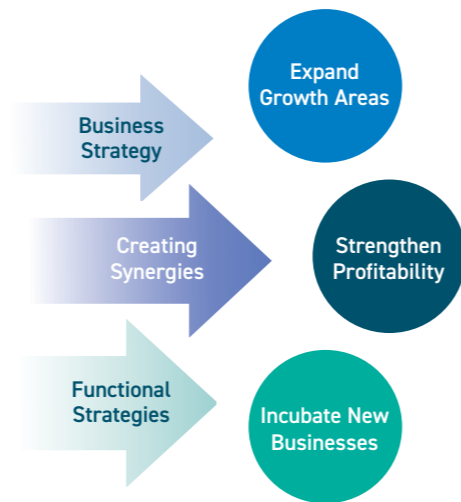
**Expanded business**  
Revenue **1.6** trillion yen  
of which 20% from overseas revenue

- Society we aim for**
- Decarbonization
  - Resource recycling-oriented
  - Where people and nature coexist
  - Smart Society
  - With long healthy lifespan

## Basic policy of "terrAWell30"

We create synergies by optimizing Group management resources to expand growth areas, strengthen profitability, and incubate new businesses.

Optimizing group-wide resources	
Bases	Key Initiatives
<b>Core Business</b>	<ul style="list-style-type: none"> <li>Drive growth by expanding overseas</li> <li>Evolve it through inter-business fusion</li> <li>Incubate new regional businesses</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Develop technologies, harness the group-wide engineering resources</li> </ul>
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>Conduct management that leverages human resources</li> </ul>
<b>Corporate</b>	<ul style="list-style-type: none"> <li>Strengthen the group strategy functions Data management (DX) / logistics / procurement / ESG initiatives</li> </ul>
<b>Investment &amp; Financing</b>	<ul style="list-style-type: none"> <li>Positively reinforce the cycle of growth and investment</li> </ul>



## Progress in growth strategies

Toward the realization of "terrAWell30," we will work on creating new businesses that contribute to solving social issues, with carbon neutrality and agriculture business as key themes while aiming for medium-term growth in the digital, semiconductor-related, and overseas industrial gas fields.

**Expand Growth Areas**

**FOCUS 1 Digital and semiconductor related** (→P28-29)  
Providing total solution in addition to stable gas supply

**FOCUS 2 Overseas industrial gases** (→P30-31)

**India**  
Driving both the "expansion of gas production and supply infrastructure" and "on-site gas supply to the steel industry" as our two core initiatives

**North America**  
Positioning the "expansion of industrial gas supply infrastructure" and "enhancement of cryogenic equipment technology" as growth drivers.

**Incubate New Businesses**

**FOCUS 3 Carbon neutrality** (→P32-35)  
Incorporating carbon neutrality into growth to achieve a sustainable society

**FOCUS 4 Agriculture** (→P36-37)  
Solving agriculture and fruit and vegetable distribution issues through diverse business foundations and strengthened alliances

FOCUS 1

# Digital and semiconductor related

— Providing total solution in addition to stable gas supply

In Japan, the semiconductor production base is being strengthened, and the market is expected to expand in the future. We see this as a major growth opportunity for the Group and are executing the largest capital investment in our history. We aim to further expand our digital and semiconductor-related business by leveraging our business model that captures market growth as demand, covering various phases from new semiconductor plant construction to operation and facility expansion for production expansion.

Edge 1

## Stable supply of high-purity gases to semiconductor plants

We provide on-site gas supply with our latest large-scale air separation plant "V1D" as core equipment, earning a high reputation from customers for our stable supply of high-purity gases essential for semiconductor manufacturing, maximizing the technologies from our founding industrial gas business. In addition, we will accelerate investment in gas supply plants to meet future demand growth.



### Implementing largest ever investment in plant and equipment in conjunction with new and expanded large-scale semiconductor plant

In response to the industry trends of increasing capital investment in the fields of memory and sensors, as well as the establishment of manufacturing plants for advanced logic semiconductors in Japan, we are aggressively executing capital investment in large cryogenic air separation plants.

### Increase in orders in line with renovation and expansion of existing (mid-size) semiconductor plants

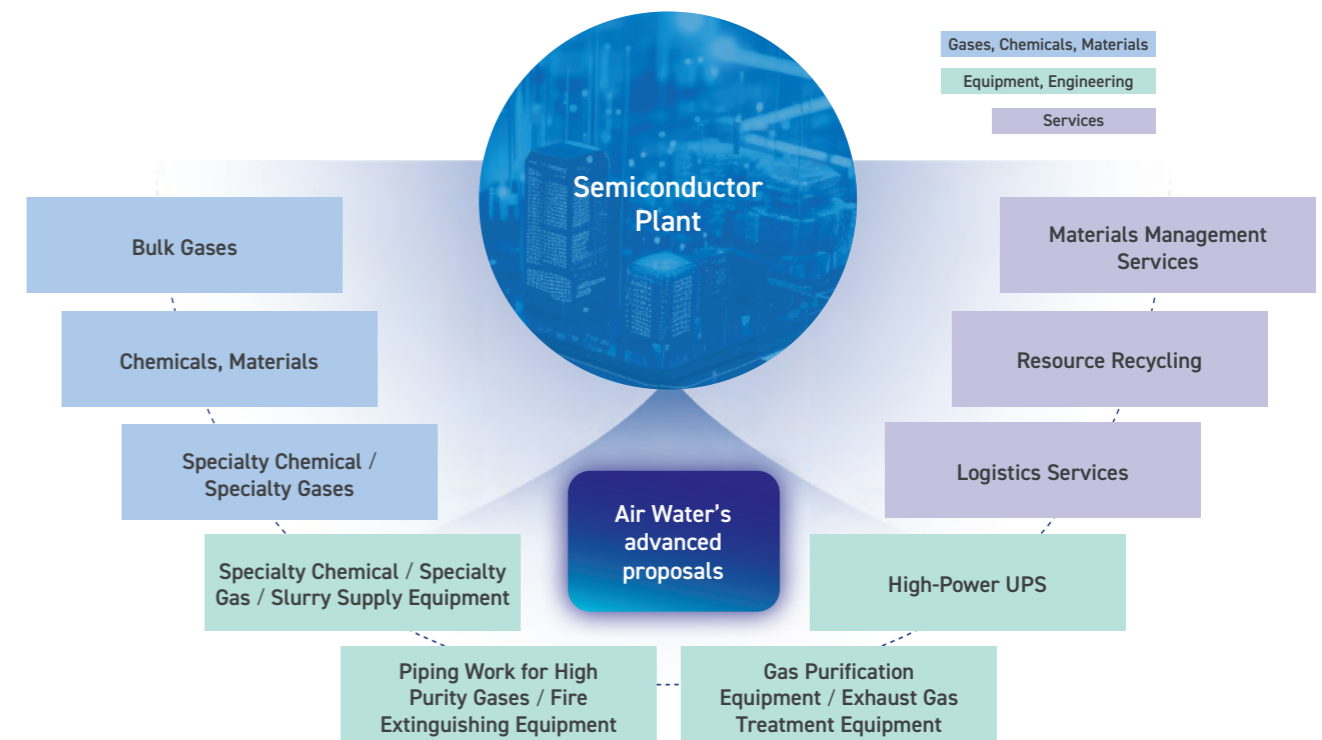
In addition to the fact that production facilities are being expanded at existing semiconductor plants, demand for semiconductors shows signs of recovery due to developments in edge computing and generative AI technologies. In response to these industry trends, we are focusing on promoting the "V1," a nitrogen gas generator, and orders received doubled over the past five years on average.

Edge 2

## Providing products and services supporting semiconductor manufacturing as a one-stop total solution

We provide services as a one-stop total solution, integrating typically fragmented processes such as gas supply management and equipment maintenance, going beyond mere gas supply. We have further evolved from being a stable supplier of not only gases but also specialty chemicals, chemical products, and other materials necessary for semiconductor manufacturing, and we support semiconductor plant operations by providing services such

as materials management, logistics, and venous resource recycling. Additionally, we provide products and services essential for the construction and stable operation of semiconductor plants, including the delivery of necessary equipment and facilities and the installation of high-purity piping. We support semiconductor manufacturing at every phase, making comprehensive contribution toward efficient semiconductor production.



The Group has built a business model that captures semiconductor market growth as demand by covering various phases from construction to operation of semiconductor plant, and from facility enhancement to production expansion, through our wide range of product and service groups. When the plant is constructed, we build the gas plant and warehouse as our own facilities, while pip-

ing and equipment are laid as customer facilities. Upon completion of the plant, we will supply gases, specialty materials and chemicals as well as provide material management, logistics and resource recycling services. Moreover, this structure increases our opportunities to support our customers through factory expansions and other means.

FOCUS 2

# Overseas Industrial Gases

- For India, driving both the “expansion of gas production and supply infrastructure” and “on-site gas supply to the steel industry” as our two core initiatives
- For North America, positioning the “expansion of industrial gas supply infrastructure” and “enhancement of cryogenic equipment technology” as growth drivers

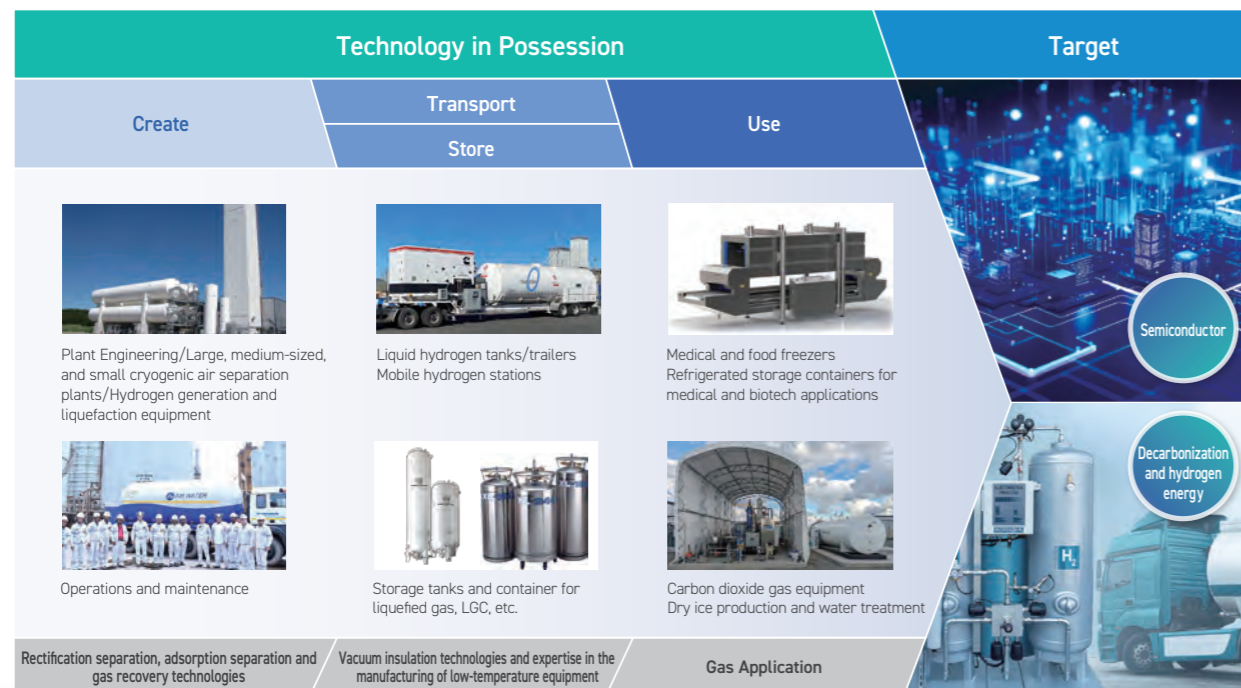
The Group’s overseas expansion is part of its efforts to strengthen its industrial gas business and pursue growth potential. The industrial gas business can continuously develop in coexistence with the customers and communities where the plants are installed, and can be expected to serve as a cash cow for the Group. Therefore, in 2013, we began overseas business development targeting India, where market growth has been remarkable due to an increase in population and domestic demand expansion, followed by America in 2016, the world’s largest industrial gas market and a place where innovation is thriving.

## Concept of Overseas Expansion

Our strategy for overseas expansion is to tap into the emerging industrial gas market by combining the plant engineering, cryogenic, and plant operation technologies we have developed over many years at each phase of the industrial gas supply chain with added value such as energy conservation, low-carbon and decarbonization, and stable supply. The Company possesses competitive capabilities in these technologies that enable us to effectively compete against its peers in overseas markets. In addition, we are one of the few companies that can provide all the technologies related to industrial gases in-house, including cryogenic air separation, adsorption separation, liquefaction, capture and purification of carbon dioxide and noble gases, hydrogen production, cryogenic equipment, and

gas applications. Furthermore, we are accelerating growth by early infrastructure development in target markets through large-scale M&A and capital investment.

In addition, the steel, semiconductor, and decarbonization sectors, which are potential key customers, are undergoing a period of market transformation, becoming green fields that require further technological innovation. These areas are also receiving strategic government support across various countries for strengthening and expanding domestic industries and ensuring economic security, presenting numerous business opportunities for us. In the medium- to long-term, we will expand our efforts overseas as well to address social issues and create added value.

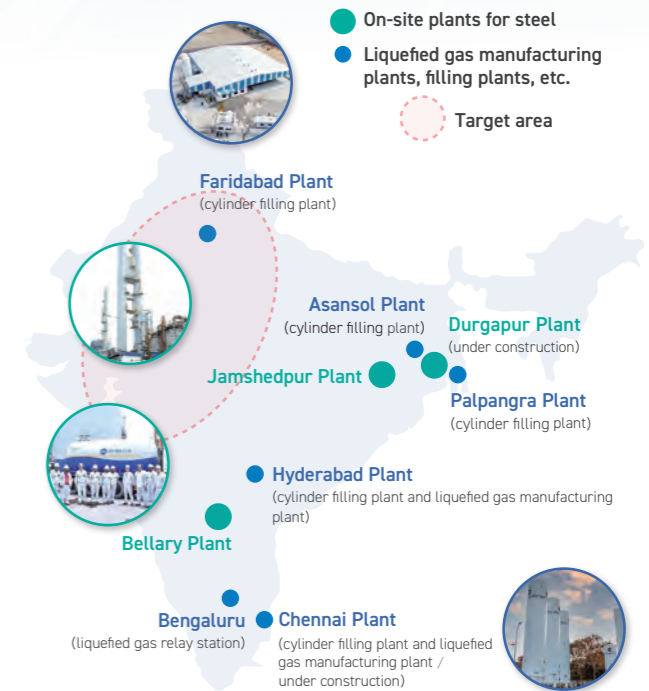


## India

In India, we aim to achieve dramatic growth through our growth strategies of “expansion of gas production and supply infrastructure” and “on-site gas supply for the steel industry” to capture the robust industrial gas demand driven by domestic consumption.

Currently, we are constructing a liquefied gas production plant and cylinder filling plant in Chennai, South India, expected to start operations. Prior to this, cylinder filling plant in Faridabad near Delhi was completed and put into operation in April 2024. Going forward, we will expand liquefied gas production and supply infrastructure in the northern and western regions to capture demand in these areas.

Furthermore, in on-site gas supply for steel, we secured a gas supply contract with the Durgapur steel plant of SAIL, the Indian state-owned Steel Authority of India Limited, in 2023. Construction of an on-site gas supply plant with a capacity of 1,250 tons/day is scheduled to start operation in FY2025 or later. With this contract, we will have established supply capabilities to three out of India’s four major blast furnace manufacturers. The Indian government has set a goal of raising crude steel production to 300 million tons by 2030, and we will continue to expand our business by acquiring on-site projects.



## North America

In the U.S., we aim to grow our industrial gas business mainly on the East Coast, a market growth area, with the growth strategies of “acquiring commercial rights and bases through M&A of distributors and industrial gas businesses” and “expanding gas production and supply infrastructure” and “large-scale on-site gas supply for new semiconductor plants and green chemical plants.”

Currently, we are constructing an on-site and liquefied gas production plant in New York State, scheduled to be operational in FY2026 or later. New semiconductor plant is planned to be built in the vicinity of the plant construction site, and this plant will be used as a back-up base to acquire on-site gas supply projects in the surrounding area. In FY2024, we are in negotiations for investment decisions on several additional plants.

In addition, we are working on the manufacture and sale of green liquefied hydrogen and liquefied hydrogen transportation and storage equipment to meet the growing demand for hydrogen that is expected to accompany the spread of FC commercial vehicles in the future, as well as to capture emerging gas and equipment demand. In FY2024, we received an order for a mobile liquefied hydrogen recharger from commercial FC truck manufacturer.

Going forward, we aim to achieve dramatic growth in the world’s most advanced North American market, with “expansion of industrial gas supply infrastructure” and “enhancement of cryogenic equipment technology” as growth drivers.





FOCUS 3

# Carbon Neutrality

— Incorporating carbon neutrality into growth to achieve a sustainable society

The Group promotes initiatives from the two aspects of “responsibility” to reduce its own greenhouse gas (GHG) emissions and “contribution” to reduce GHG emissions in society through its products and businesses, not only viewing global environmental issues as its “corporate social responsibility,” but as a path to sustainable growth.

In particular, we see “contribution” to reducing society’s GHG emissions as a key growth strategy for our group, and will accelerate our efforts in this area.

**Responsibility**

### Reducing GHG emissions from Air Water Group (Scope 1+2)

- 30% cut by FY2030 (vs. FY2020\*)
- Carbon neutrality by 2050

**Contribution**

### Reducing GHG in society through business activities

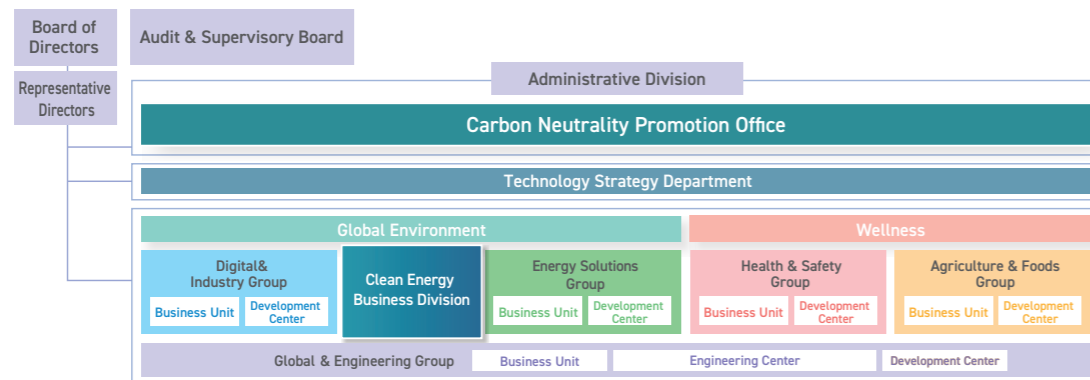
- Providing products and solutions that contribute to carbon neutrality
- Developing technologies to realize carbon neutrality and driving rapid social implementation

\*It targets energy-derived CO<sub>2</sub> emissions (Scope 1 and 2) from consolidated subsidiaries in Japan, out of GHG.

## Established Carbon Neutrality Promotion Office

In April 2024, we established the Carbon Neutrality Promotion Office to plan and promote various measures to address climate change, creating a system to make advanced efforts in “responsibility” and “contribution”. We support our efforts to be a “leading carbon neutral company” by introducing the visualization of CO<sub>2</sub> value within the Group (Internal Carbon Pricing), promoting investment in energy-saving, and accelerating our social contributions.

At the same time, we established the “Clean Energy Business Division” as a cross-group organization to promote business development and technological innovation for carbon neutrality. We set carbon neutrality as one of our core themes of our management strategy and strengthens our efforts in this area.



**TOPICS** In April 2024, we introduced the “Internal Carbon Pricing (ICP) System,” under which the company sets its own CO<sub>2</sub> price and uses it as a basis for investment decisions. The introduction of the ICP will recognize the CO<sub>2</sub> costs associated with investments and promote decarbonization investments.

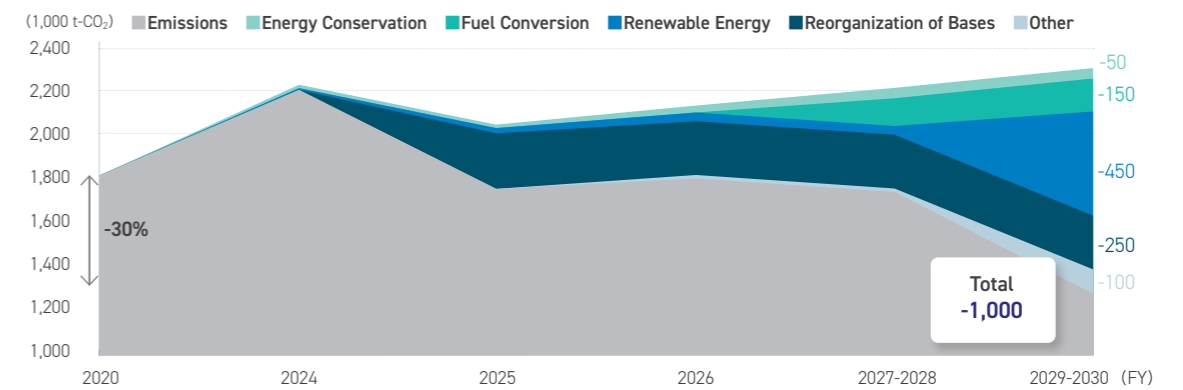
## Our “Responsibility” (Reducing GHG emissions from Air Water Group)

The Group consumes a large amount of energy and emits CO<sub>2</sub> in its business activities, primarily through the operation of industrial gas production plants. Currently, we are taking proactive measures to address climate change, focusing on energy conservation, power greening, and biomass fuel utilization, aiming to achieve both GHG emission reduction targets and our business growth.

### GHG Emission Reduction Targets and Policies

Following the establishment of “Environmental Vision 2050,” the Group has set a KPI for CO<sub>2</sub> emission reduction targets (Scope 1 and 2) for domestic consolidated subsidiaries by FY2030 as a milestone in its response to climate change. Based on GHG Protocol calculations, we aim for a “30% reduction by FY2030 (vs. FY2020).”

GHG Emissions Reduction Roadmap



For direct emissions from our own production activities (Scope 1), we reduce emissions through low-carbon and decarbonization measures including converting energy used in production processes to biomass fuels, etc., and energy conservation activities. In addition, for indirect emissions from externally purchased energy (Scope 2), we aim to reduce emissions through green power utilization including solar power, leveraging environmental value with the Group. Our vision is to achieve carbon neutrality by 2050, including the use of next generation energy sources (hydrogen, ammonia, synthetic fuels, etc.).

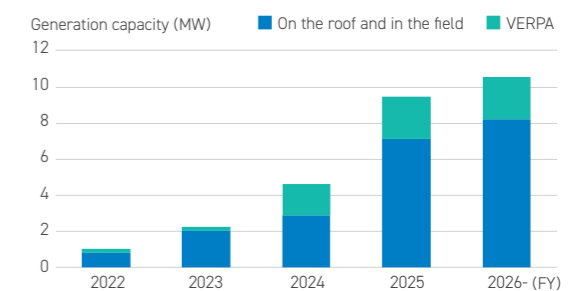
### Initiatives to reduce our GHG emissions

#### Installation of renewable energy

The Group is working to reduce GHG emissions by converting part of the energy used at its plants and other facilities to renewable energy sources. In FY2023, we installed solar power generation system at four of the Group’s sites, including the Atsugi Logistics Center of Air Water Logistics Co., Ltd., utilizing the PPA\*. This is expected to reduce annual emissions by approximately 600 t-CO<sub>2</sub>. Going forward, we will also focus on expanding the installation of the vertical solar power system “VERPA” to our group companies, aiming to achieve a 10 MW power generation capacity early on. We will continue to install PPA and solar power systems at our sites to conduct environmentally conscious business activities.

\*PPA is an abbreviation for “Power Purchase Agreement Model,” which refers to a “power sales contract” between a power provider (PPA provider) who sells electricity to users and power users.

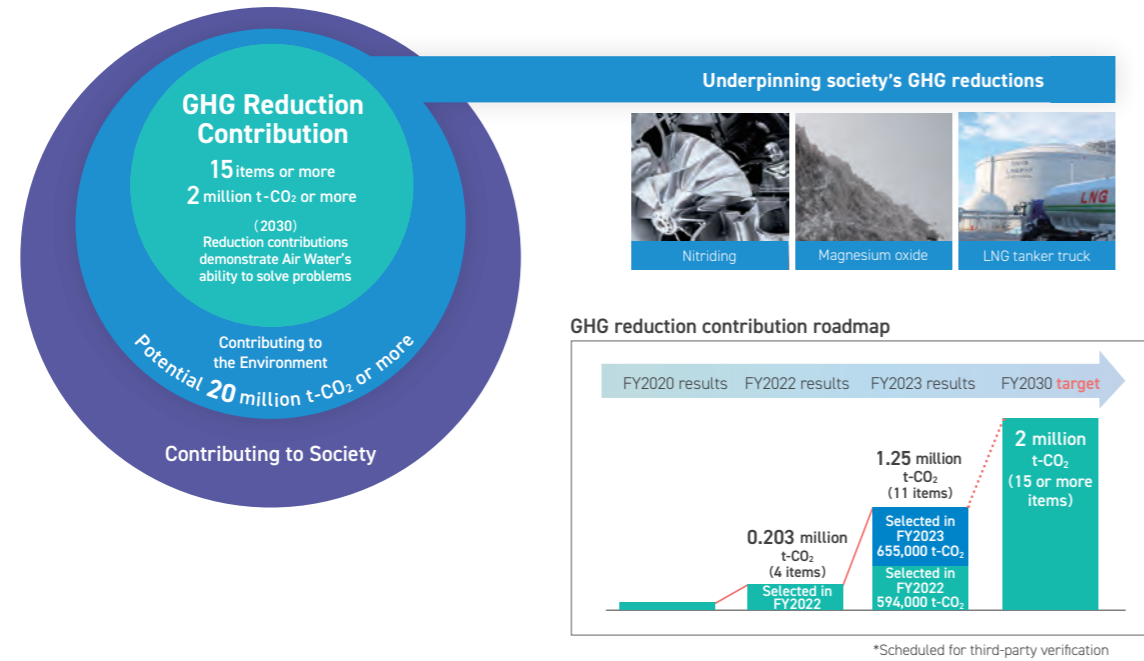
Solar power system installation plan



**“Contribution” to Society (Reducing GHG in society through our products and business activities)**

The Group considers the reduction of greenhouse gas (GHG) emissions in society through its business activities as a “contribution” and promotes efforts to reduce GHG emissions from both the perspective of its own “responsibility” and our “contribution.”

Products and services groups that contribute to society (conceptual diagram)



Products that Contribute to GHG Reductions for Society

Scope	Areas	Business and products	Product image
Scope1	<ul style="list-style-type: none"> <li>Renewable energy</li> <li>Equipment powered by alternative fuels</li> <li>Chemical products</li> <li>Exhaust gas treatment equipment</li> <li>Hydrogen generator</li> <li>CO<sub>2</sub> recovery system</li> <li>Welding gas (not containing carbon)</li> <li>Water and space heating system</li> <li>Shower bathing system</li> </ul>	Biomethane, biodiesel V Satellite, a compact LNG satellite facility MAXIMOL®, an urethane raw material NF3, detoxification equipment VHR, a high-efficiency hydrogen gas generator ReCO <sub>2</sub> STATION®, a small CO <sub>2</sub> recovery and dry ice production system ELNACKS®, an argon-oxygen mixture gas VIVIDO®, hybrid water and space heating system Biami®, shower bathing system for nursing care	
Scope2	<ul style="list-style-type: none"> <li>Energy-saving devices and equipment</li> <li>Oxygen burner for electric furnaces</li> <li>Biomass power generation business</li> <li>Solar power generation</li> </ul>	Nitrogen PSA CoJet® Wood biomass power plant VERPA®, a vertical solar power system	
Scope3	<ul style="list-style-type: none"> <li>Regenerated wood</li> </ul>	ECOROCA® series of deck materials	

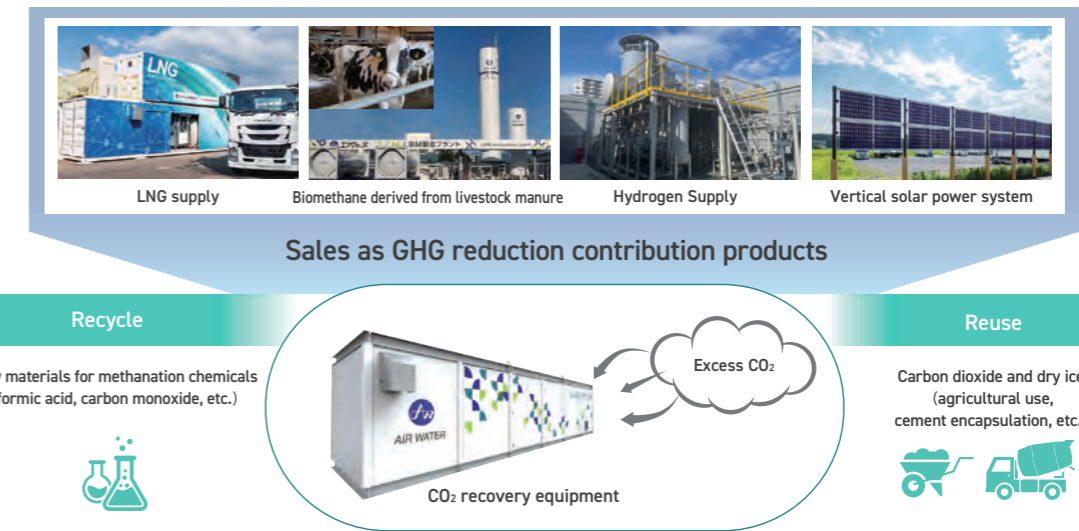
**Total GHG reduction contribution 1.25 million t-CO<sub>2</sub>/year (FY2023 results)**

The total GHG reduction contribution from our products and services that contribute to carbon neutrality is 1.25 million t-CO<sub>2</sub>/year (FY2023 results). Specific products and businesses include renewable energy and fuel conversion equipment, urethane raw materials that replace fluorocarbons with low global warming potential, energy-saving nitrogen gas generators, and oxygen burners for electric furnaces that reduce electricity consumption. From a business perspective, in addition to increasing the sales of these products, we will also enhance our external image as a “leading carbon neutral company,” which will lead to an increase in our corporate value. This initiative will also broadly aligns with our commitment to “solve social issues.”

We have set GHG reduction contribution as an indicator of our ability to solve social issues, targeting 2 million t-CO<sub>2</sub> in FY2030.

**Technology development contributing to carbon neutral society**

The issue of climate change is not only our Materiality to address, but a great business opportunity. We are focusing on development in the fields of clean energy supply, such as biomethane and low-carbon hydrogen, and CO<sub>2</sub> capture and reuse, by making full use of gas control technologies cultivated in our industrial gas business, including separation, purification, liquefaction, and storage. The technologies developed here will contribute to the reduction of society's GHG emissions in the future as “GHG reduction contribution products.”



**Social implementation initiatives**

The Group has a diverse business portfolio related to industrial gas, including medical, energy, agriculture, and food, as well as infrastructure, human resources, and customer bases rooted in each region. By creating synergies from these management resources, the Group's strength lies in its ability to contribute to solving complex social issues.

We believe that in order to create new businesses in line with the progress of carbon neutrality, it is important to explore needs, understand the growth potential of the market, and identify technologies that can be our strengths, so we have established a wide range of external collaborations, including private companies, local governments, universities, and even local communities. Particularly in Hokkaido, where the Group's management resources are concentrated, we are developing new donation system for local governments and establishing open innovation facilities, providing a venue for exploring new business opportunities. In June 2024, Sapporo City, Hokkaido was also designated as a “GX Financial and Asset Management Special Zone”, we plan to continue working on various social demonstrations and business models.

**Started joint demonstration operation of vertical solar power generation at “Seven-Eleven” store parking lots**

**In Hokkaido, Donation support programs for municipalities**

**Commercial use of biomethane derived from livestock manure begins**

**Open innovation facility “Air Water Forest” (Scheduled to open in December 2024)**

FOCUS

4

# Agriculture

— Solving agriculture and fruit and vegetable distribution issues through diverse business foundations and strengthened alliances

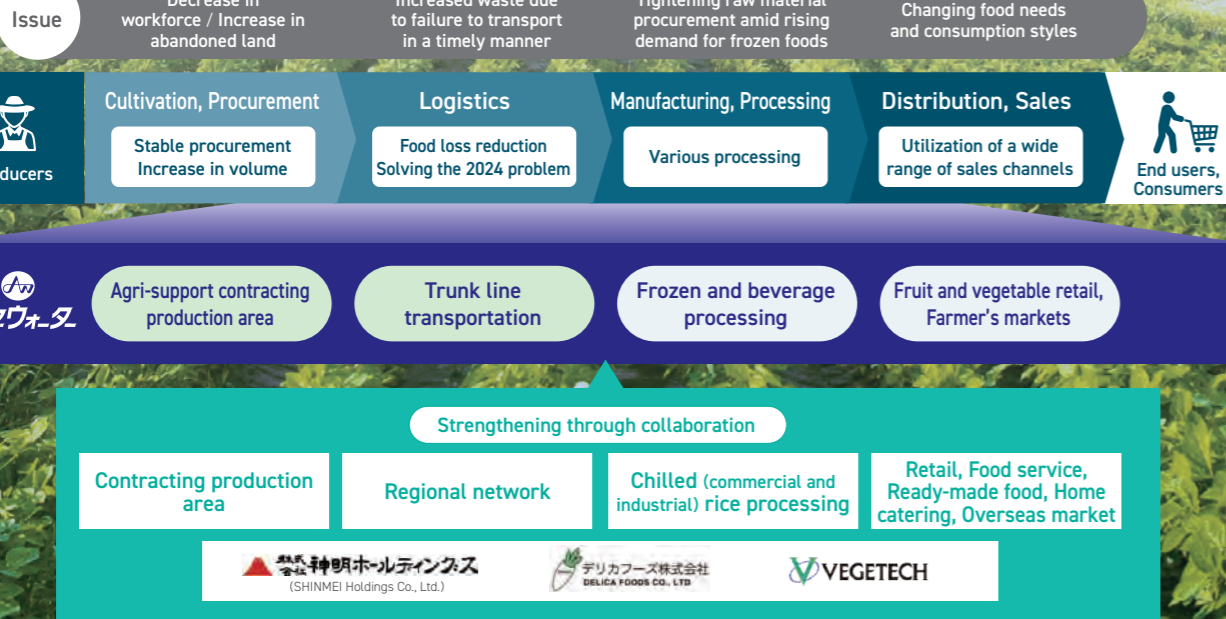
Our agribusiness (Agroprocessing) is based in Hokkaido, the largest agricultural production area in Japan. Based on strong connections with producers through contract cultivation and procurement of raw vegetables, we have developed a stable supply system by processing agricultural products into the required form and utilizing our distinctive logistics network that links production areas and consumption areas, and freshness preservation technology developed through our industrial gas business.

On the other hand, the domestic agriculture and fruit and vegetable distribution sectors are facing challenges such as food security, declining food self-sufficiency, shortage of agricultural workers, and insufficient transportation capacity for agricultural products due to the logistics 2024 problem.

Recognizing the necessity of building large-scale collaboration partnerships to address these social issues, we have started partnering with VEGETECH Co.,Ltd a fruit & veg trading company, and DELICA FOODS HOLDINGS CO., LTD. which sells whole/cut vegetables for

commercial use, in February 2023. And in March 2024, we entered into a capital and business alliance with SHINMEI Holdings Co., Ltd., Japan's largest rice wholesaler. The combined annual fruit and vegetable handling volume of these four companies is approx. 900,000 tons (7% of total domestic fruit and vegetable shipments), the largest volume in the industry, with total sales exceeding 700 billion yen, forming Japan's largest industry alliance.

Through this four-company collaboration, we will lead to increased transactions among the four companies by strengthening raw material procurement functions and utilizing each other's resources in processing, distributions, and sales, and will also contribute to the establishment of a stable supply system and the promotion of local agriculture. By strengthening rice, fruit and vegetables procurement networks and enhancing "rice, fruit and vegetable distribution and processing platform," which has a value chain and logistics network that extends from the procurement to processing and sales, we will build a sustainable agricultural model and work to solve social issues faced by agriculture and fruit and vegetable distribution.



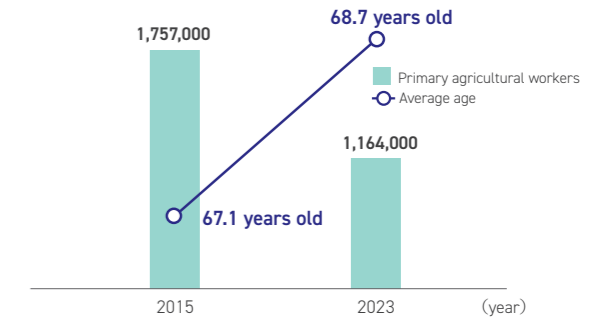
## Our initiatives in the agribusiness



### 1. Cultivation and procurement

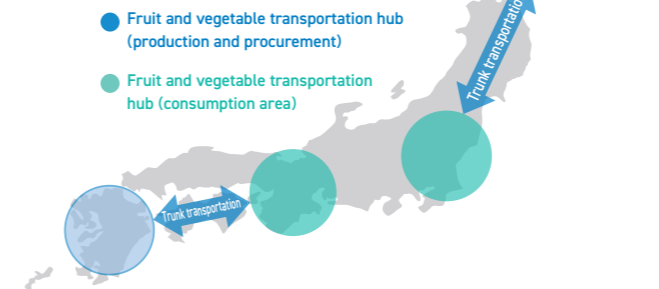
Through collaboration, we will mutually utilize each company's contract farmers and procurement routes to diversify production area risks and increase the handling volume of products. In production areas facing serious labor shortages, we develop an agri-support business providing services such as arranging agricultural machinery and performing farm work such as seeding and harvesting. By guaranteeing complete purchase of crops, we stabilize farm management while expanding contract farming to strengthen procurement capabilities. The business is currently focused on Hokkaido, but will be expanded to Kyushu and the mainland in the future, as well as to train agricultural experts to support growth.

Declining and aging agricultural workforce



Source: Compiled by the Company based on "Statistics on Agricultural Labor Force" (Feb. 2024), Ministry of Agriculture, Forestry and Fisheries of Japan

### Increasing delivery volume and building a logistics and production network



### 2. Logistics

We have completed construction of a trunk distribution network linking distribution centers in the Kanto and Kansai regions, which are consumption areas, with production areas, establishing transportation centers in Hokkaido and Kumamoto Prefecture, which are production areas. Switching from one-way to round-trip transport between Hokkaido-Kanto and Kyushu-Kansai, and adding new routes between Hokkaido-Kansai and rice transport from Tohoku, our regular service frequency in FY2024 increased 7.5 times from the previous fiscal year. In collaboration, we are further strengthening our logistics network by utilizing the secondary delivery networks of each company.

### 3. Manufacturing and processing

We possess diverse production and processing technologies to meet a variety of food needs, from mainly agricultural products to frozen and beverage processing, as well as ham, delicatessen and confectionery.

We reduce food waste by utilizing non-standard products as ingredients for confectionery, and will also further promote the prevention of deterioration of freshness during transportation by utilizing our preservation technology.



### 4. Distribution and sales

Through collaboration with each company, we aim to develop and expand our sales network with a focus on the retail and food service, and ready-made food industry. VEGETECH Co.,Ltd. has a strong network with supermarkets and convenience stores while Delica Foods Holdings Co., Ltd. has strong connections with the food service industry. Shinmei Holdings Co., Ltd. is engaged in retail sales, as well as overseas sales and restaurant operations. Each company will ensure a stable supply to the sales networks where they have strengths.

# Technology Development Strategy

For the Company, technology development is the source of solutions to add value to products and services and to meet customer needs, and is indispensable in creating businesses that contribute to solving social issues.

## Technology development structure

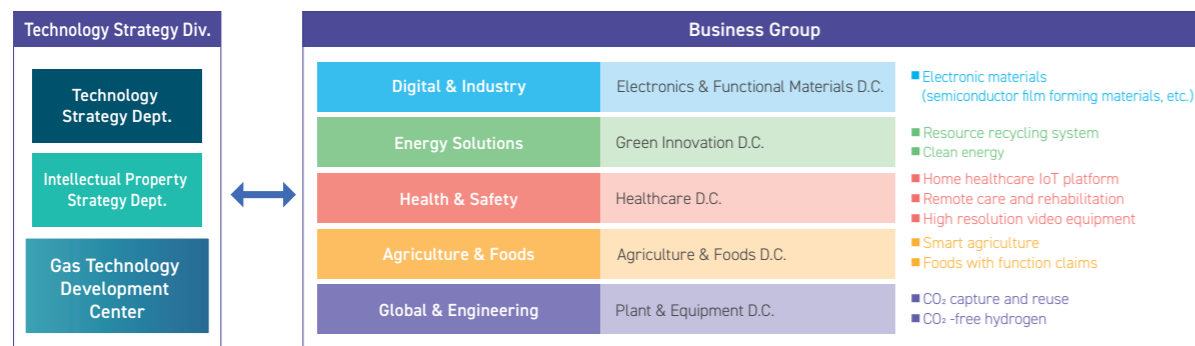
The "Development Center" established within each business group conducts integrated operations from market analysis through development to commercialization, accelerating and streamlining technological development.

To manage this development across the divisions, in July 2024, we established the Technology Strategy Division, which includes the Technology Strategy Department, the Intellectual Property Strategy Department, and the Gas Technology Development Center, as an organization directly under the president. The Technology Strategy Department and the Intellectual Property Strategy Department serve as a technological platform for the entire group, providing internal development support and encouraging external collaboration to accelerate technological development. In addition, the Gas Technology Development Center explores gas applications across all business fields and develops new businesses, creating connection across our diverse operations.

## R&D themes

Each business group has established core themes such as "semiconductor materials," "decarbonized energy," "medical devices," "smart agriculture," and "plant technology," and is advancing technological development.

We are also advancing development in three additional themes. The first is "industrial gas," our foundation and source of synergy, focusing on gas production methods, utilization and application development. Additionally, we have identified "seawater," including magnesium, which was the origin of our company name, and "regenerative medicine," including the world's first practical application of dental pulp regenerative treatment, as themes we intend to further strengthen.



## Air Water Group's R&D & Incubation hubs

We are developing bases for the creation, development, and dissemination of new businesses that will contribute to solving social issues. These facilities will serve as a stage for the development of technology through the promotion of open innovation, as well as for the enhancement of brand power through information dissemination, and develop human resources through the process of creating new businesses by technology.



**Birthplace of the dental pulp regenerative treatment International Advanced Medical Center @Kobe**  
R&D center to create new products and services for healthy "living" for people [Opened in Sept. 2019]



**For experiencing and co-creating a healthy lifestyle Air Water Kento**  
A place to create and communicate a wide business related to "wellness" in the 100-year-life era, contributing to a longer healthy life. [Opened in Sept. 2023]



**Gathering of wisdom in Hokkaido Air Water Forest**  
A hub to create new businesses that contribute to solving regional issues in Hokkaido by bringing new ideas and collaboration with research institutions, universities, local governments, and local companies. [Opening in Dec. 2024]



**Circulating resources, energy, agriculture, and aquaculture Nature's Blessing Farm Matsumoto**  
Developing a carbon-neutral, resource recycling-oriented model where energy is locally produced and consumed in four plants: biomass gasification & power generation, methane fermentation, smart land-based aquaculture, and smart agriculture [Under construction]

# AI/DX Strategy

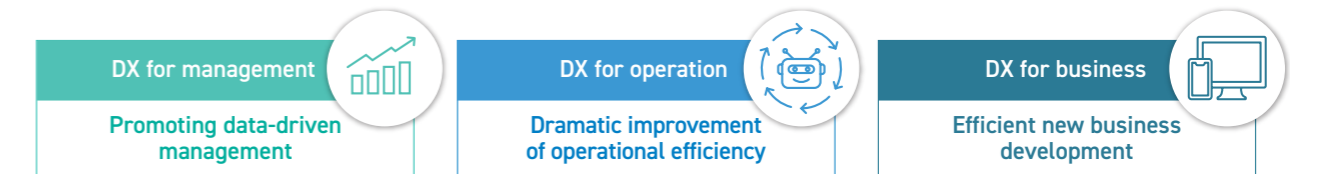
The Group is strengthening its AI and DX strategy and actively working to achieve sustainable growth and solve social issues. As digital technology becomes increasingly important worldwide, we are promoting data-driven management across the entire group. This initiative aims not only to improve operational efficiency, but also to create new value by maximizing synergies among the various businesses within the group.

Furthermore, to further accelerate digital transformation utilizing cutting-edge technologies such as AI and IoT, we implemented an organizational restructuring in July 2024 to strengthen its digital infrastructure. This enables rapid decision-making and technology adoption, and promotes a higher level of innovation.

In addition, we are also focusing on the development of digital human resources through in-house recruitment and practical training, building a framework where all employees can enjoy the benefits of digital technology and be ready to take charge of future-oriented change.

## 3 DX pillars + 2 infrastructure enhancements

The Group has three DX pillars of "Management," "Operations," and "Business," and is promoting digital transformation by deploying highly specialized personnel in each of these areas. To support these initiatives, we are also focusing on strengthening foundation systems and structures. By enhancing the human resources and organizational structure supporting these three initiatives, the Group will achieve sustainable growth and improve its competitiveness.



To strengthen data-driven management decisions, we have assembled a team of data scientists and members with management expertise, ensuring speedy and highly accurate decision-making.

To promote automation and efficiency in business processes, we have assigned specialists in RPA implementation and process improvement to optimize operations.

Promoting the creation of new business models and the advancement of existing businesses by utilizing cutting-edge technologies such as AI and IoT. Maximize inter-business synergies to enhance group-wide competitiveness.



We will build an infrastructure system that will enable us to "create new corporate through solving of social issues" while improving profitability and capital efficiency, along with strengthening security measures.



Starting with online courses, we will address the shortage of AI/DX human resources and train professionals in management, business innovation, and business creation to accelerate DX promotion through the activation of community activities and other opportunities to share case studies that lead to the creation of business results.

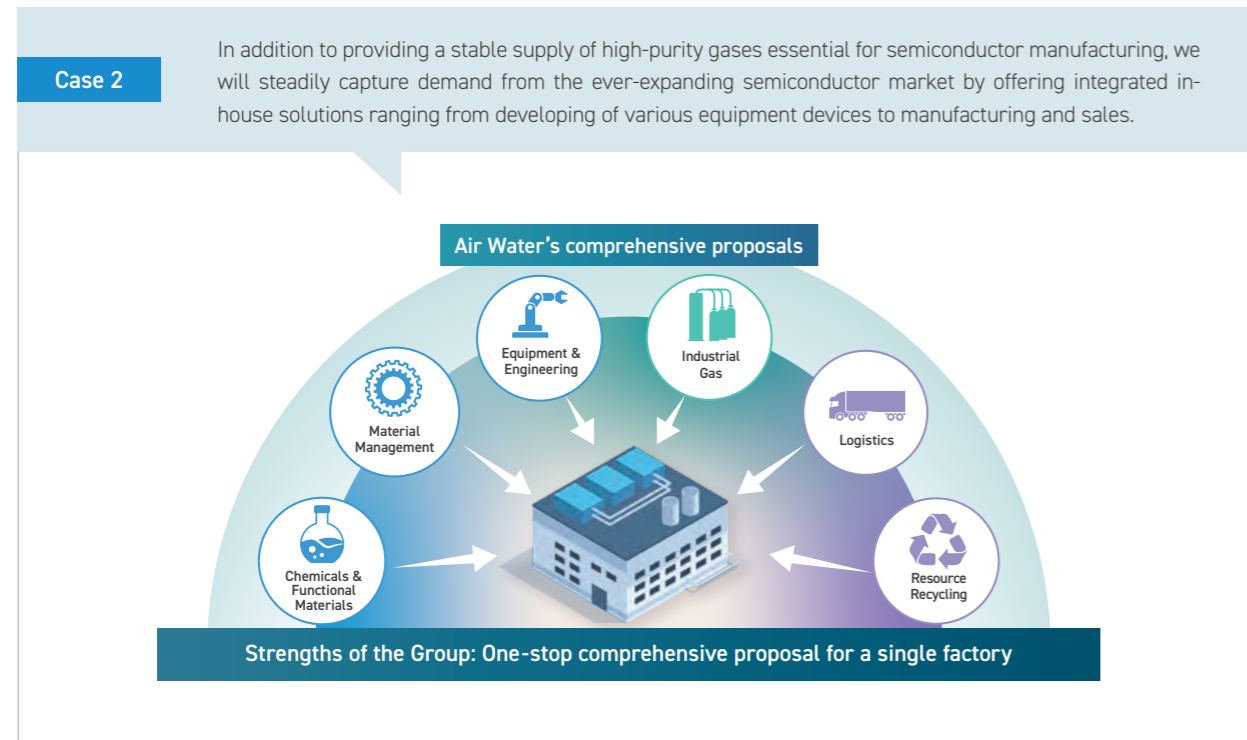
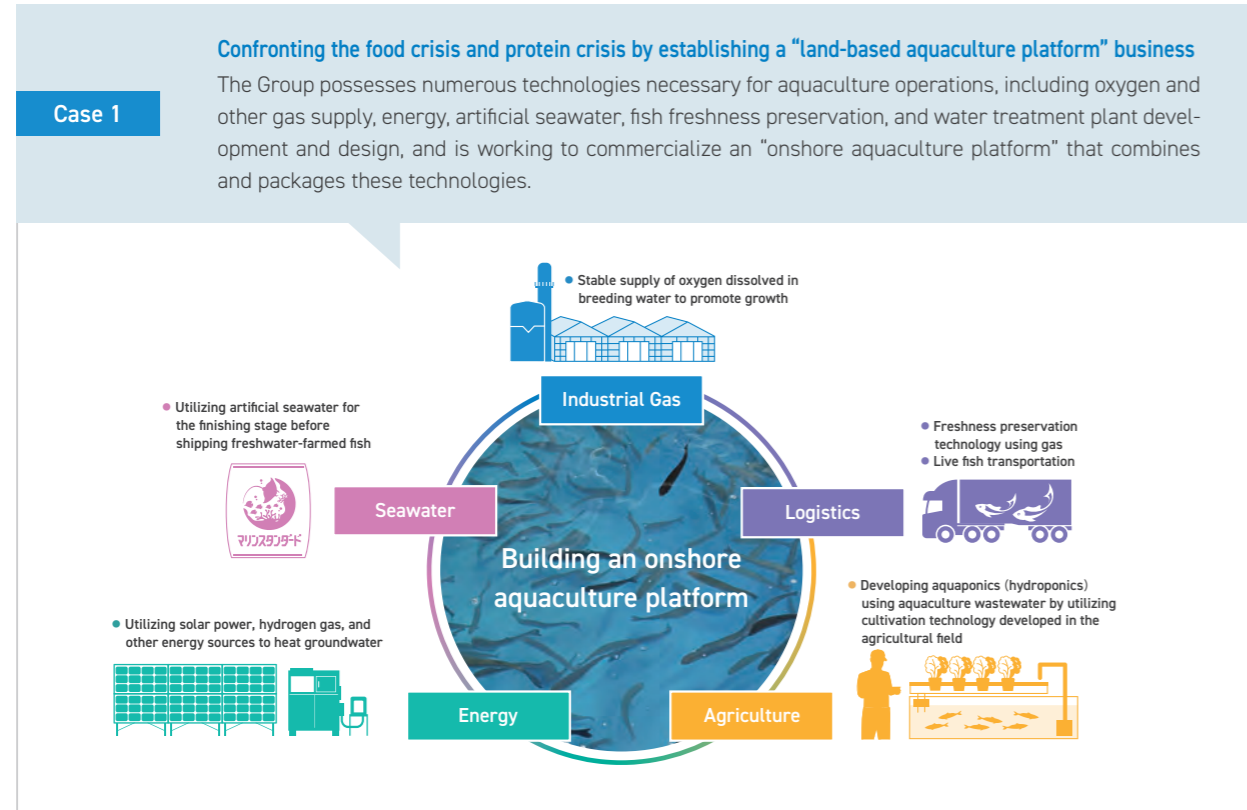
## PTX, Inc., an operating company of the "Powl," a point scavenging application with over 5 million membership users, joins the Group. - Strengthening digital marketing -

We will strengthen the connection between the Group and public individuals, etc., to improve our recognition and brand image, which will also benefit our new graduate recruitment activities. Additionally, by utilizing digital marketing across the Group's various businesses, we will strengthen product development capabilities based on customer feedback and implement targeted promotions to expand awareness of our products and services. Through these efforts, we will not only improve customer satisfaction but also create innovative businesses.



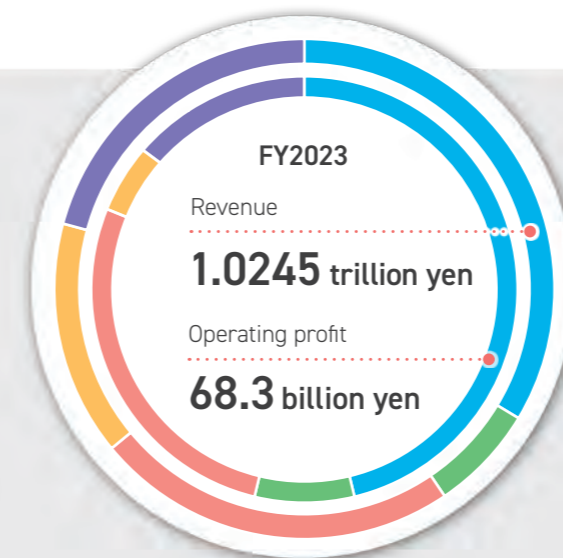
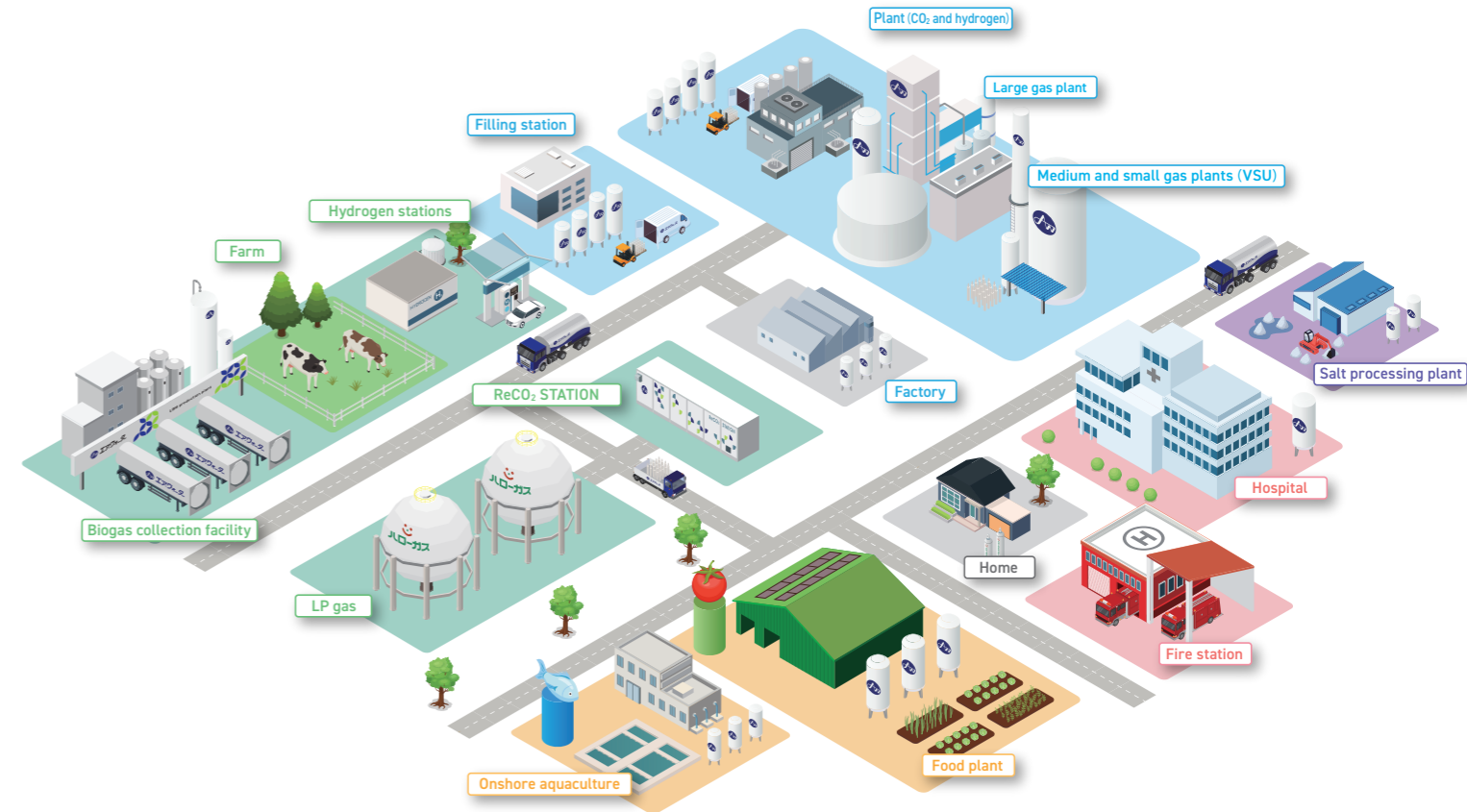
# Creating Synergies

The Group's strength lies in our ability to create (incubate) new businesses by combining our abundant management resources, including human resources, technologies, and business models, from our diverse business portfolio, which we have cultivated with industrial gas as our core business. We will create businesses that contribute to solving social issues that cannot be confronted by a single business alone, generating the seeds for the next stage of growth.



# Business Overview

Starting from the industrial gas supply, our business has expanded diversely in stable markets that are essential to manufacturing and people's daily lives. Our stable business portfolio is now able to generate sustainable growth, regardless of changes in the business environment.



	FY2023 (Results)		FY2024 (Forecast)*2	
	Revenue	Operating profit	Revenue	Operating profit
Digital & Industry	339.4	33.6	360	38
Energy Solutions	66.6	4	70	4.5
Health & Safety	230.9	15.1	245	17
Agriculture & Foods	162.6	6.9	180	8
Other	225.1	10.8	245	13.3
Adjustments*1		(2.1)		(2.8)
<b>Total</b>	<b>1024.5</b>	<b>68.3</b>	<b>1100</b>	<b>78</b>


\*1 Adjustments: Elimination of intersegment transactions and profit/loss of the Company's headquarter divisions not allocated to each segment  
\*2 Figures are forecasts at the beginning of the period

# Businesses Close to Manufacturing and Living

GLOBAL ENVIRONMENT

## Digital & Industry

Besides a stable supply of industrial gases to support a wide range of manufacturing industries, the Group offers a wide range of products and services that support the entire value chain for the semiconductor manufacturing industry.

<b>Industrial Gases</b>	 Industrial gases (For on-site / tank truck supply / cylinders)	 Gas application	 Hydrogen
<b>Electronics</b>	 On-site gas supply	 Special chemical materials	 Gas purifiers
<b>Functional Materials</b>	 Information electronic materials	 Quinone products	 Electronic materials
	 Polishing pads	 Magnesia	

## Energy Solutions

In addition to sales of LP gas, kerosene, and LNG etc., the Group develops technologies aggressively for low-carbon and decarbonization. Also aims to establish a resource-recycling energy supply model supply that practices local production for local consumption.

<b>Energy</b>	 LP gas / Kerosene	 LNG	 LNG transport equipment	<b>Green Innovation</b>	 Biomethane
	 Energy-related equipment	 LP gas mobile power supply vehicles	 VERPA (a vertical solar power system)		 ReCO <sub>2</sub> STATION (a CO <sub>2</sub> recovery equipment)

OTHER











Engaged in a wide range of businesses, including Global & Engineering, operating industrial gas businesses in North America and India; Logistics such as 3PL (third party logistics); Seawater, producing mainly commercial salt; and Electric Power, developing wood biomass power generation.

<b>Global &amp; Engineering</b>	 Industrial gas (India, SE Asia)	 Industrial gas (North America)	 Engineering	 High-power UPS (uninterruptible power supply)
<b>Seawater</b>	 Salt	 Environmental products (magnesium hydroxide, water and soil treatment agents, etc.)	 Nori (dried seaweed sheet), Furikake (rice seasoning)	 Artificial seawater

WELLNESS

## Health & Safety

Besides gases indispensable to the medical field, the Group offers a diverse range of products and services such as equipment installation, SPD (management of medical supply logistics including medical materials and pharmaceuticals), and sanitary materials. Also committed to safety and security in the disaster prevention field.

<b>Medical Products</b>	 Medical gas	 Medical equipment	 Home healthcare	 Dental
<b>Medical Services</b>	 SPD	 Sterilization	<b>Safety Services</b>	 Medical facilities
<b>Consumer Health</b>	 Injection needles	 Sanitary materials	 Aerosol	 Cosmetics







\*In Safety Services as it is operated by AIR WATER SAFETY SERVICE INC.

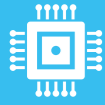
## Agriculture & Foods

Having expanded from frozen foods to ham and delicatessen, wholesale, processing and retail of fruits and vegetables, beverage production and sales, we offer a wide lineup of products from commercial to retail.

<b>Foods</b>	 Frozen food	 Agroprocessing	 Ham and Deli	 Confectionaries	<b>Natural Foods</b>
<b>Agriculture</b>	 Vegetable farming	 Fruit and vegetable wholesale	 Agricultural machinery	 Fruit and vegetable retail	 Beverages

## Logistics

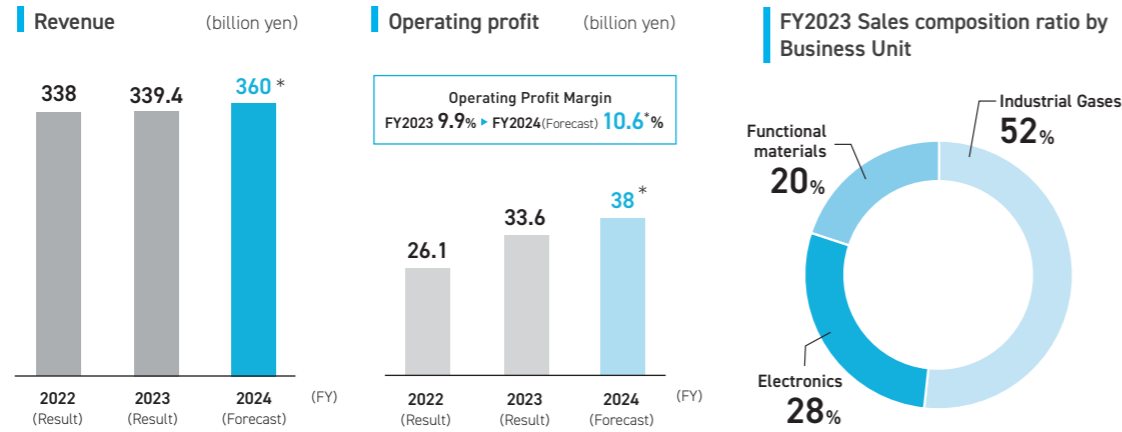
<b>Logistics</b>	 High-pressure gas transport	 General cargo transport	 Cryogenic logistics center	<b>Electric Power</b>
	 Food logistics	 Medical & environmental logistics	 Vehicle modifications	 Wood biomass power generation



# Digital & Industry

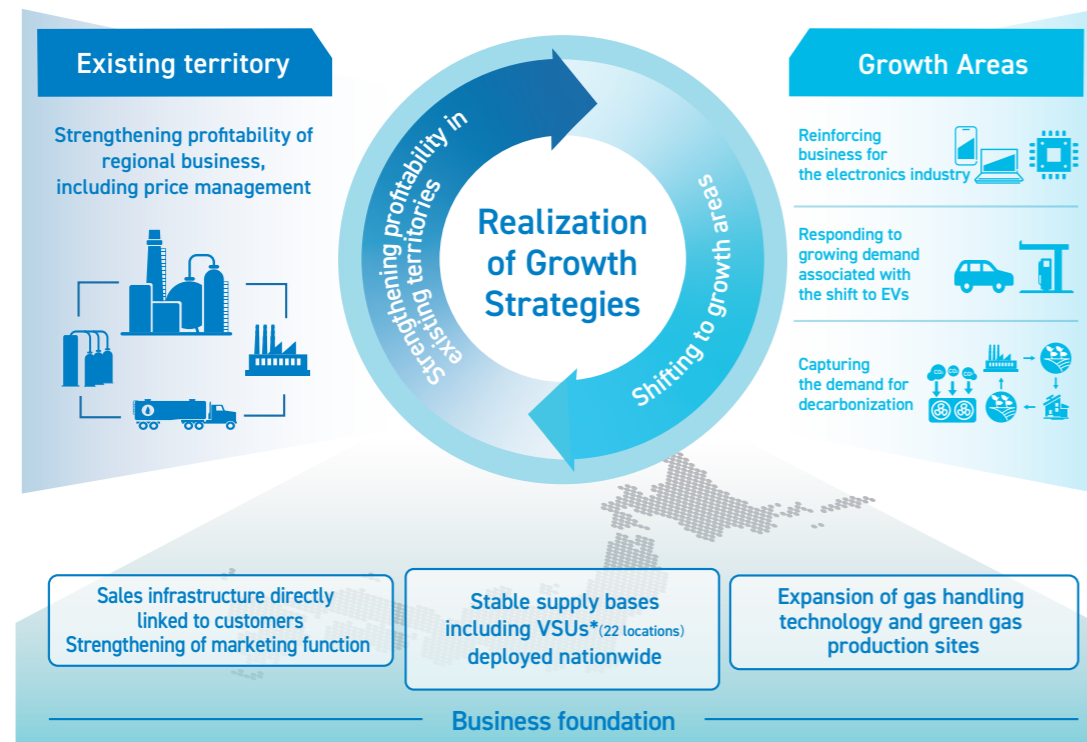
## Business Overview

Supports various manufacturing industries by providing a stable supply of industrial gases through our nationwide network of bases. By leveraging Air Water's strength in handling both industrial gases and chemical products, also supports the electronics industry with a wide range of products and services.



\*Figures are forecasts at the beginning of the period

## Business Development Outline



\*High-efficiency compact liquefied oxygen/nitrogen generator

## Competitive edges

Stable supply system through a network of manufacturing, storage, and distribution, including 22 VSUs optimally located nationwide

Engineering technologies related to gas separation, purification and storage, including air separators, hydrogen production, CO<sub>2</sub> capture, etc.

Product lineup that supports the semiconductor manufacturing value chain, such as chemical materials, related equipment, and outsourced logistics, in addition to industrial gases.

Specialty chemical products with top domestic market shares (Magnesia for electromagnetic steel sheets, phthalic anhydride, sodium acetate)

## External Environment

### ★ Opportunities

- ★ Expansion of demand for the electronics industry, including semiconductors and EVs, driven by digitalization
- ★ Expanding demand for CO<sub>2</sub> capture, low-carbon hydrogen, and other decarbonization-related products

### ■ Risks

- Impact on manufacturing and sales due to fluctuations in demand for semiconductors and other electronics-related products
- Impact on industrial gas production costs from fluctuations in electricity prices
- Decrease in carbon dioxide and argon production capacity due to consolidation of refineries and blast furnaces

## Mid- to Long-Term Policy / Growth Strategy

### ① Reinforcing business for the electronics industry

- Adding on-site gas supply plants to accommodate factory expansion by major semiconductor device manufacturers
- Expanding comprehensive development of chemical materials, supply equipment, related construction work, contract logistics, recycling services, etc. in conjunction with expansion of on-site gas supply
- Developing semiconductor and electronic materials by integrating technologies and expertise in the electronics and functional materials fields

### ② Strengthen profitability

- Ensuring price management for the higher value of products and services
- Responding to gas demand by expanding and optimally locating manufacturing bases, including securing raw material sources of carbon dioxide and enhancing argon production facilities.
- Improving efficiency of business operations through the use of digital technology (logistics, plant management, etc.)
- Reallocating personnel to growth areas such as the decarbonization-related and electronics

### ③ Bolstering initiatives for carbon neutrality

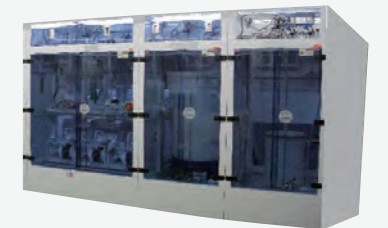
- Establishing a new carbon dioxide gas production site using biomass-derived waste gas as feedstock
- Developing a stable hydrogen supply system unaffected by trends in raw material sources, utilizing City gas reforming-based high-efficiency hydrogen generation system "VHR"
- Realizing clean hydrogen production by installing CO<sub>2</sub> recovery system alongside city gas and methanol reforming type hydrogen generators
- Producing and selling oxygen, nitrogen, and argon using green power

## TOPICS

### Progress in comprehensive development of Group's commercial products for semiconductor manufacturing plants

In addition to gas supply, the Group provides comprehensive support for semiconductor manufacturing, including sales of general/specialty chemicals and equipment/components, services from piping construction to logistics.

In 2024, we received an order for a "CMP Slurry Mixing/Supply System\*" for a semiconductor plant to be built in Chitose City, Hokkaido by Rapidus Corporation, which aims to domestically produce cutting-edge semiconductors. Using this latest order as a stepping stone, we are promoting proposals for supply system solutions for domestic semiconductor plants, where further expansion of capital investment is expected in the future, and is strengthening its support for automation, labor savings, and stable operations at leading-edge semiconductor facilities even more than before. Also in 2024, we established a joint venture with Sanwayuka Industry Corporation, Japan's leading solvent recycling company, to recycle chemicals used in semiconductor manufacturing. We will contribute to the realization of a sustainable society through our efforts to create domestic resource circulation for chemical materials, which are highly dependent on imports from overseas.



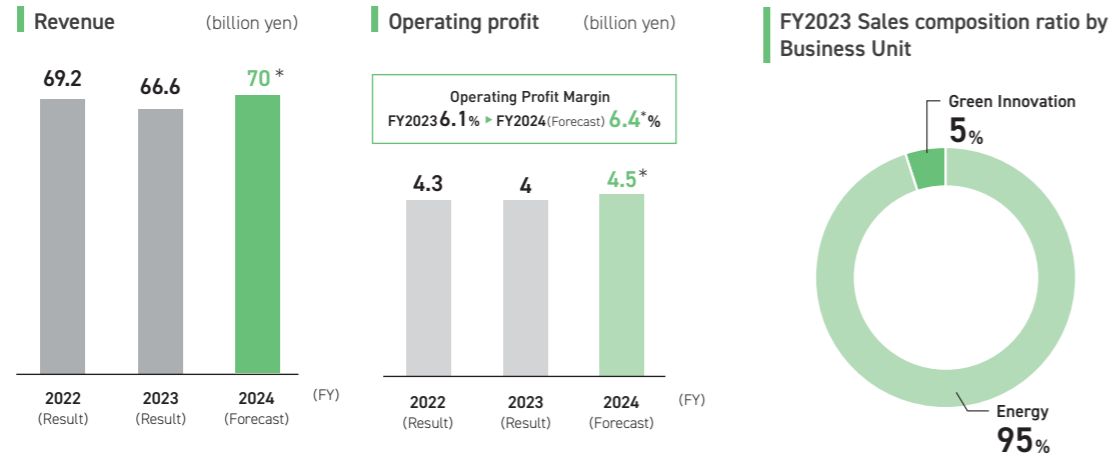
\*Equipment that enables stable and highly accurate formulation of semiconductor CMP (polishing) process chemicals with uniform concentration and particle size according to the liquid type. Based on the basic technology developed in partnership with a U.S. company, the Group has been designing and manufacturing this system since 2006 as an optimal supply system for domestic semiconductor plants, with numerous successful implementations.



# Energy Solutions

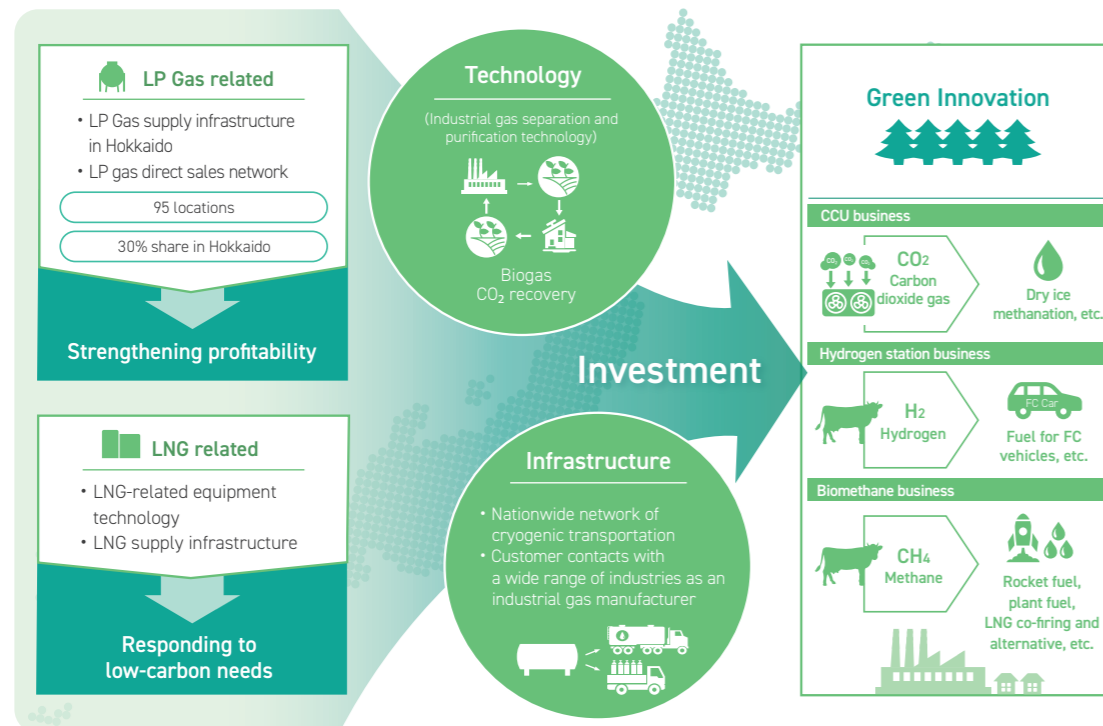
## Business Overview

Retails LP gas for residential use mainly in Hokkaido and eastern Japan. Also develops LNG-related businesses against the backdrop of growing demand for low-carbon and decarbonized energy. Further, aims to establish a resource-recycling energy supply model that utilizes unused resources for local production for local consumption and to create new businesses such as CO<sub>2</sub> capture and reuse.



\*Figures are forecasts at the beginning of the period

## Business Development Outline



## Competitive edges

Low-carbon technologies such as LNG lorries and LNG-related equipment

Decarbonization technologies, such as CO<sub>2</sub> capture and hydrogen, cultivated in the industrial gas business. Production of carbon neutral and low-carbon energy such as biomethane and biodiesel fuels

Supply infrastructure of LP gas covering 95% of Hokkaido area (filling, distribution, sales offices)

## External Environment

### ★ Opportunities

- ★ Expansion of carbon-neutral and low-carbon energy proposals and opportunities amid the accelerating shift to a low-carbon and decarbonized society
- ★ Expansion of potential commercial rights transfer and M&A opportunities, such as lack of successors for LP gas dealers

### ■ Risks

- Decreasing demand for LP gas and kerosene by depopulation, aging, shrinking population and global warming
- Shortage of labor force due to decline in working-age population
- Changes in the logistic structure in the BtoC market

## Mid- to Long-Term Policy / Growth Strategy

### ① Strengthen profitability

- Increasing direct LP gas sales ratio and strengthening initiatives for peripheral equipment and remodeling business
- Improving efficiency of LP gas delivery, filling, metering, and safety operations through IoT
- Optimizing prices for deliveries, filling fees, etc.
- Improving operational efficiency through integration and reorganization of delivery and filling bases and group companies
- Creating added value and reducing the costs through DX promotion in sales and administrative operations

### ② Responding to low-carbon needs

- Driving fuel conversion amid the shift to low-carbon emission and expanding sales of LNG-related equipment
- Expanding production and sales of biodiesel fuel\*

### ③ Switching a structure to a carbon neutral energy business

- Creating new businesses responding to global warming issues, such as CO<sub>2</sub> capture and reuse, biogas, liquefied biomethane and carbon neutral hydrogen.
- Establishing a locally produced, locally consumed, resource-recycling energy supply model, such as biomethane derived from cattle manure
- Boosting sales of vertical solar power system "VERPA"

\*Fuel produced by mixing diesel fuel with fuel derived from food residues

## TOPICS

### Vertical solar power system "VERPA" begins joint demonstration operation with seven-eleven

In August 2024, the Company and Seven-Eleven Japan Co., Ltd. began joint demonstration operations of the "VERPA" vertical solar power system in the parking lots of two Seven-Eleven stores in Tome City, Miyagi Prefecture and Yamagata City, Yamagata Prefecture. This is the world's first installation of a vertical solar power system installed in a commercial facility. VERPA, with its double-sided light-receiving panels arranged vertically, is not easily affected by snow accumulation and does not require height-limiting roof structures, making it ideal for installation in parking lots of roadside stores.

In this demonstration operation, we verified the power generation performance and winter practicality compared to the roof-mounted type. The electricity obtained is consumed by each store and can be used as an emergency power source in the event of a disaster or power outage. The demonstration period

will last until March 2027, and is expected to generate 20,000 kWh or more per store annually and reduce CO<sub>2</sub> emissions by 15%. We will continue to contribute to the realization of a carbon neutral society by installing VERPA in public facilities.



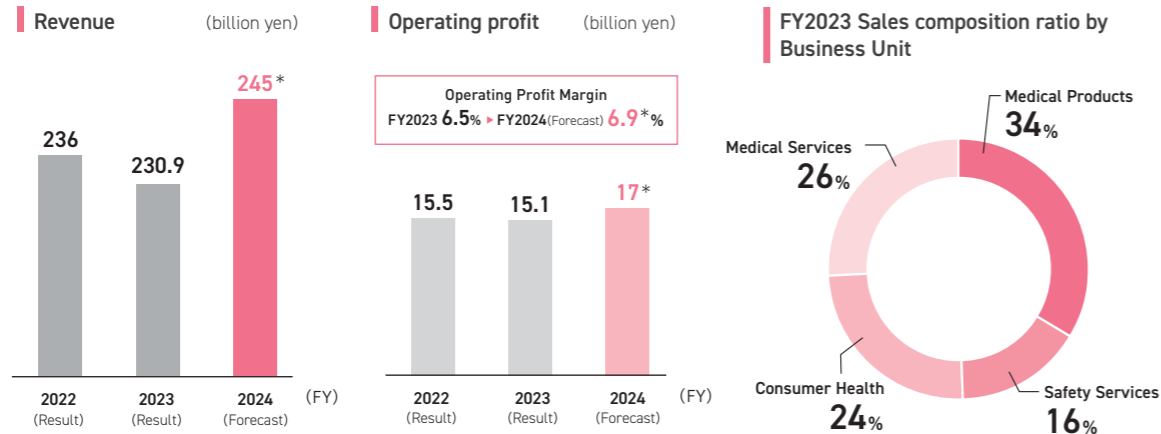




# Health & Safety

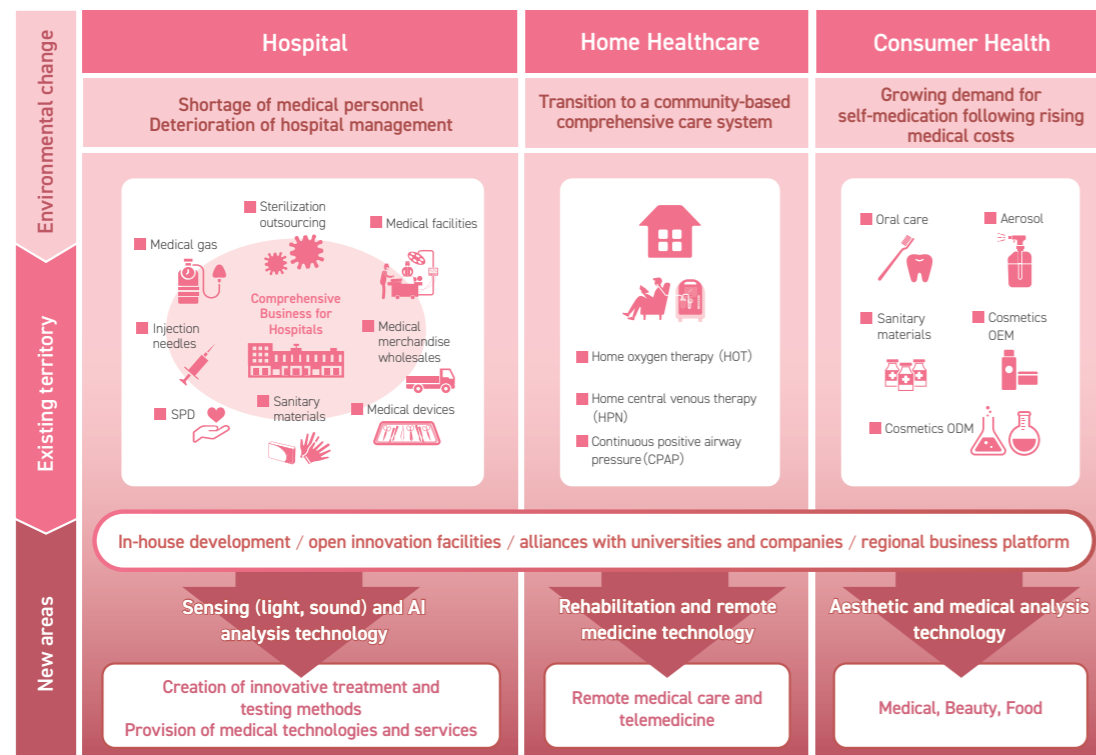
## Business Overview

Provides solutions to the medical field by utilizing our diverse products and services, including medical gases, design, construction, maintenance, and inspection of hospital equipment, outsourcing of hospital operations, and sanitary materials. Also supports health and safety by developing businesses in home health care, oral care, consumer health, and safety services.



\*Figures are forecasts at the beginning of the period

## Business Development Outline



## Competitive edges

- Comprehensive strength covering across diverse fields from acute care to consumer health
- Stable supply system of medical oxygen through the "VSU" network
- Solid revenue base with a high market share businesses in medical gases and hospital facility construction
- Infrastructure and network for home healthcare (home oxygen therapy), including its equipment manufacturing, delivery, and maintenance
- Products with a high market share in the safety services, such as breathing apparatus and gas extinguishing systems

## External Environment

- ★ Opportunities**
- ★ Growing needs for more advanced medical equipment and more efficient hospital operations at medical institutions
  - ★ Expanding needs for comprehensive community-based care and home medical care
  - ★ Growing needs for nursing care and preventive medicine
  - ★ Progress in medical DX
- ★ Opportunities / Risks**
- ★ Government health care cost containment

## Mid- to Long-Term Policy / Growth Strategy

- Strengthen profitability**
  - Adjusting prices for medical gas, equipment construction, and other items in response to rising costs for materials and labor
  - Reducing manufacturing costs in consumer health (injection needles, sanitary materials)
  - Improving productivity through labor-saving investments in safety services and aerosols
- Strengthening proposal capabilities by leveraging resources**
  - Establishing integrated system for the development, manufacturing, sales, and maintenance of medical equipment and nursing care products, etc.
  - Developing medical devices that utilize IoT technology to solve problems in the medical field
- Expanding home healthcare and consumer health**
  - Creating new businesses related to home rehabilitation
  - Expanding sales of injection needles, which require high technology
  - Development of high value-added cosmetics
- Reinforcing the safety services**
  - Capturing strong demand for data centers and shipbuilding in the gas fire extinguishing field and strengthening the installation system
  - Expanding sales of vacuum sprinkler systems that can limit damage caused by water loss from leaks and accidental releases

## TOPICS

### Released "HVS1 Monitor" an electronic stethoscope that digitally displays shunt sound level

- Easy to use, takes only a few seconds to complete measurements, and helps improve patient quality of life and dialysis management -

The Company focuses on developing products that accurately meet the various needs of the medical field, including usability, labor saving, and DX promotion, aiming to improve people's health, reduce the burden on medical workers, and improve patients' quality of life. In May 2024, utilizing our Healthcare Development Center's sound technology, we launched the "HVS1 Monitor," an electronic stethoscope with sound analysis function built into the stethoscope body. The HVS1 Monitor digitizes the shunt sounds\* that medical professionals previously heard with a stethoscope, enabling objective and quantitative measurement of previously subjective and qualitative auscultation information through simple operation in just sounds. This HVS1 monitor will contribute to the early detection of abnormalities, thereby reducing the patient's physical and mental distress and enabling accurate information sharing among related parties, which will also lead to the enhancement of remote and home healthcare systems.



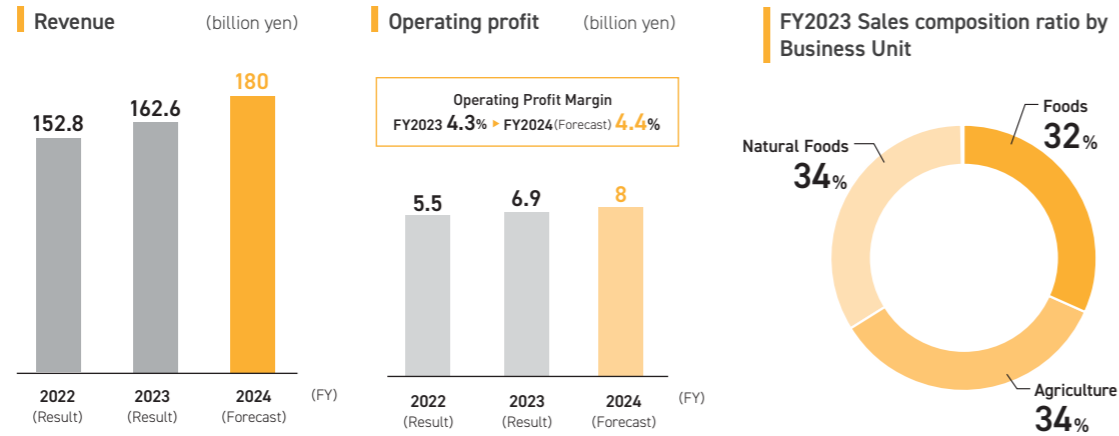
\*Sounds produced by a "shunt vessel," a direct connection between a patient's arteries and veins, created to ensure an adequate blood volume during



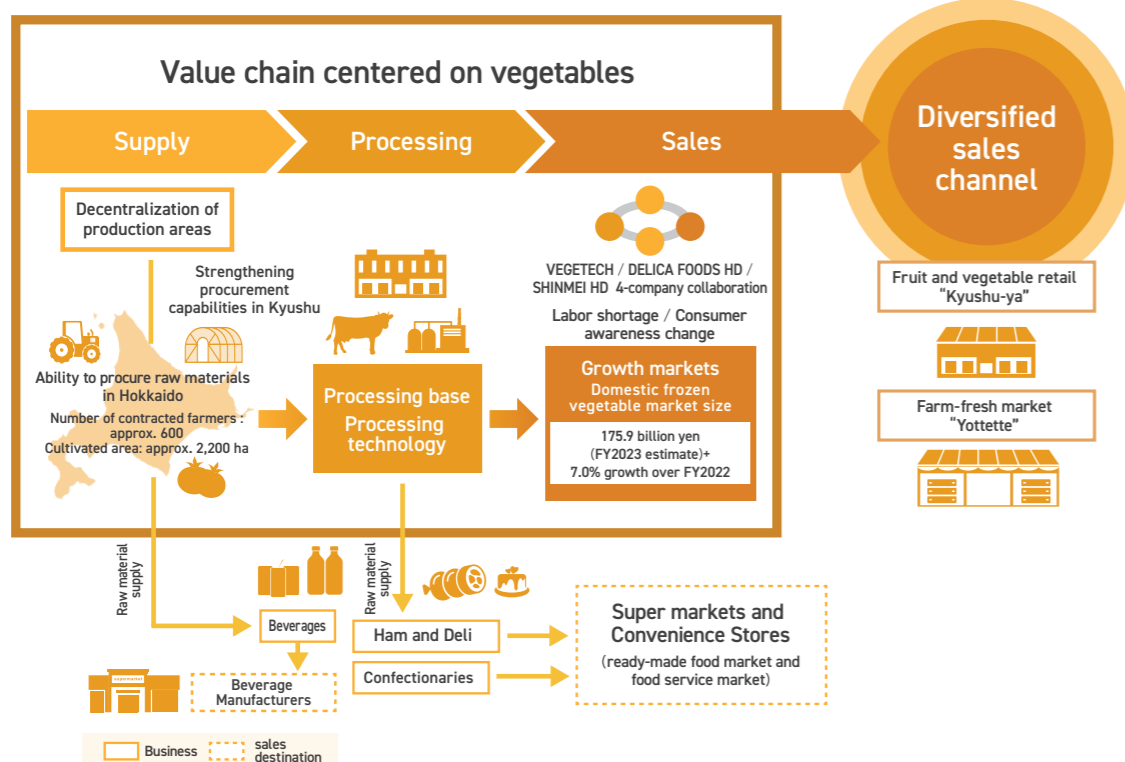
# Agriculture & Foods

## Business Overview

Starting with the production and sale of frozen foods using liquefied nitrogen, expanded its business from wholesale, processing, and retail of fruits and vegetables to the beverages production and other businesses. Continues to support safe and secure "food" in diverse areas by leveraging its strong ties with producers through the procurement of raw vegetable ingredients, product development capabilities, and processing technologies to realize them.



## Business Development Outline



## Competitive edges

- Stable procurement of raw vegetables through contract farming mainly in Hokkaido
- Nationwide "rice, fruit and vegetable distribution and processing platform" and cryogenic transportation technology utilizing the Group's logistics infrastructure and collaboration among 4 companies
- Diverse production and processing technologies for various food needs, from agricultural products to ham, delicatessen and confectionaries
- Value chain from farming to procurement, processing, logistics, and retailing
- Effective use of the "Hokkaido Brand" where our contract farms and processing plants are concentrated

## External Environment

### ★ Opportunities

- ★ Changing consumers' awareness of food (health-consciousness and growing need for simplified cooking)
- ★ Decline and aging of agricultural workforce
- ★ Expansion of the ready-meal and restaurant industry

### ■ Risks

- Shortage of raw material vegetables due to adverse weather conditions and fluctuating price
- Fluctuating raw material and logistics costs

## Mid- to Long-Term Policy / Growth Strategy

### ① Strengthen profitability

- Optimizing production system (sites, items) in the Foods field
- Optimizing production lines in the Beverages field (integrate, build new)
- Improving procurement to reduce wasted fruits and vegetables in the retail field
- Lowering logistics costs by leveraging the Group's logistic infrastructure
- Adjusting prices in response to rising raw material prices

### ② Strengthen "rice, fruit and vegetable distribution and processing platform" through capital alliances with three major industry companies

- Expanding the number of contracted farmers through the Agri-Support Business, and strengthening procurement ability for raw material vegetables by utilizing the resources of cooperative partners
- Developing and expanding business partners, particularly in mutual sales of products and in the ready-made restaurant industry
- Enhancing "rice, fruit and vegetable distribution and processing platform" by utilizing logistics networks, bases, and facilities
- Jointly developing freshness preservation and food processing technologies

### ③ Delivering products that address needs and challenges of "food"

- Expanding products for home like packaged meals and frozen vegetables for convenience stores
- Full-scale entry into the frozen sweets business
- Responding to customer's environmental needs by expanding circulating and paper-based container lines

## TOPICS

### Smart agriculture "prediction" and "observation" technologies, joint research results with the University of Tokyo announced

- Contributing to reduction of food loss and improvement of agricultural productivity -

In May 2024, the Company and Institute of Industrial Science (IIS), the University of Tokyo announced the joint research results on "prediction" and "observation" technologies that contribute to reducing food loss and improving productivity in the agriculture. This research developed a model that can predict optimal harvest period using only temperature data. Applying this technology, we have succeeded in predicting the optimal harvesting period for broccoli with an accuracy in less than 2.5 days. This will help prevent quality deterioration and reduce food loss caused by missing optimal harvest periods. Additionally, we provide a model that accurately predicts the number and quantity of harvests using drone-based observation technology.

In the future, Japanese agriculture is expected to move toward methods that increase land productivity while saving labor and manpower through the introduction of harvesting machinery. The Company and IIS will continue efforts toward practical implementation, including improving the accuracy of "prediction" and "observation" technologies and researching horizontal expansion to other crops such as tomatoes and pumpkins.

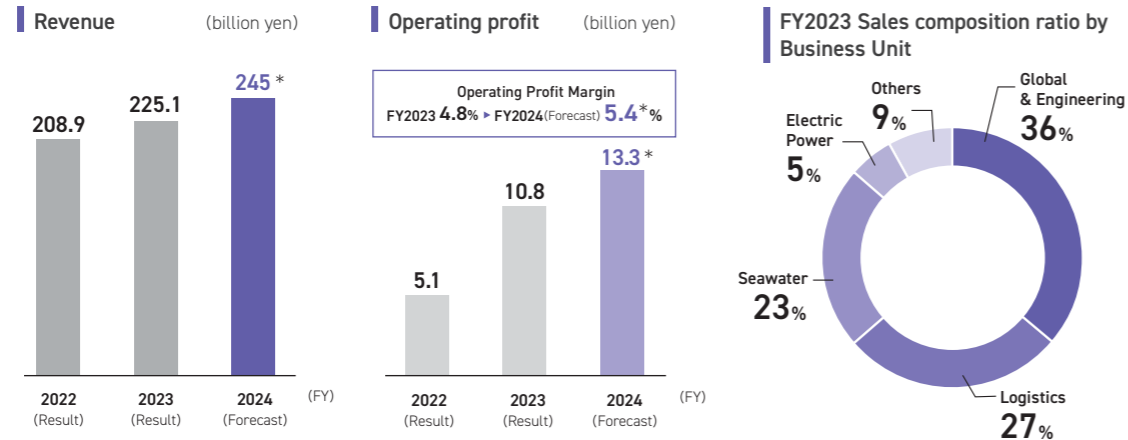




# Other (Logistics/Seawater/Global & Engineering/Electric Power)

## Business Overview

It is composed of "Logistics," which engages in 3PL and general cargo transportation, "Seawater," which operates a salt business, "Global & Engineering," which operates industrial gas businesses in India and North America, and "Electric Power," which operates wood biomass power generation.



\*Figures are forecasts at the beginning of the period

## Business Fields

### Logistics

Operates a wide range of businesses by utilizing cryogenic transport technology gained through our in-house delivery of industrial gases; including 3PL food logistics, medical logistics of transporting blood, as well as general cargo, chassis, and even design/building of truck bodies and other equipment.

#### Our nationwide logistics network

- 3,435 employees
- 81 sales offices
- 2,199 vehicles
- 48 warehouse sites



### Seawater (Nihonkaisui Co., Ltd.)

Manufactures and sells industrial salt, boasting the top share in Japan. Also involved in environmental products such as magnesium hydroxide and adsorbents for water treatment, water supply and sewage facilities, investment in aquariums, supply of artificial seawater, and wood biomass power generation business.



### Electric Power

Undertakes wood biomass power generation business in Iwaki City, Fukushima Prefecture, using the renewable energy feed-in tariff (FIT) system. Drives low-carbon and recycling-oriented society with less environmental impact.

### Global & Engineering (G&E)

Develops industrial gas-related businesses in India and North America, manufactures and sells related equipment indispensable for industrial gases and develop conducts engineering business. Also provides high-power UPS for data centers and semiconductor fields that require a stable supply of electric power. (→P30-31)

## Competitive edges

### Logistics

- In-house logistics network across Japan
- Diverse service lineup including chassis transportation, 3PL, medical/environmental logistics, and vehicle body modification

### Seawater (Nihonkaisui Co., Ltd.)

- High share of industrial salt in Japan
- Stable earnings base through a diversified business portfolio derived from salt manufacturing

### Global & Engineering (G&E)

- Industrial gas and cryogenic equipment business bases in India and North America, and technology of plant engineering
- Rotary UPS with high market share and maintenance service available overseas

## External Environment

### ★ Opportunities

- (Logistics) Increasing cargo volume with growing demand for e-commerce and recycling
- (Seawater) Expanding need to renew social infrastructure such as water and sewage water
- (G&E) Growing demand in India for industrial gases, including for steel
- (G&E) Growing demand for hydrogen and carbon dioxide gas related equipment for decarbonization
- (G&E) Expanding demand accompanying new construction and expansion of data centers and semiconductor plants

### ■ Risks

- (Logistics) Japan's 2024 problem (work hour regulation, driver shortage, etc.)
- (Seawater / E-power) Increase in power generating fuel and maritime transportation costs
- (G&E) Differences in laws, regulations, and business practices in the local country

## Mid- to Long-Term Policy / Growth Strategy

### 1 Expanding overseas business

#### India

- Acquiring new on-site projects for steel. Also establishing a supply chain that includes infrastructure of manufacturing and logistics by expanding bases

#### North America

- Acquiring new on-site projects for the semiconductor (electronics) and chemical (decarbonization) fields, and building a network of gas production and sales bases
- Building a foundation for decarbonization-related business such as liquefied hydrogen, carbon dioxide, etc.

#### High-Power UPS

- Responding to expanding demand in the data center and semiconductor fields, and developing new products that meet market needs.
- Expanding business areas to Asian demand areas such as ASEAN, Taiwan, Japan, utilizing engineering expertise related to power supply systems

### 2 Reinforcing the foundation of the logistics business

- Establishing a cold chain by developing trunk line transportation network
- Promoting efficiency in vehicle dispatching and distribution center operations through the use of IoT

### 3 Reinforcing the stable earnings structure in seawater (Nihonkaisui Co., Ltd.)

- Strengthening profitability of salt manufacturing and other existing businesses based on thorough price management
- Expanding urban infrastructure business, primarily by upgrading sewer pipes
- Reducing the risk of market price volatility by increasing the ratio of domestic materials for biomass power generation and enhancing procurement

### 4 Reinforcing the earnings structure of the wood biomass power business

- Reducing procurement costs and maintaining stable operations

## TOPICS

### Contributing to data center operations with high-power UPS business

In recent years, the data center market is expected to grow at a high rate, especially in Asia-Pacific, against the backdrop of the spread of generative AI and other technologies. Power supply abnormalities at data centers can cause significant operational losses. As the risk of sudden voltage drops and power outages caused by extreme weather increases, UPS (uninterruptible power supply) maintains a stable power supply at all times and protects important data in the event of such power supply problems.

The Group comprehensively supports stable power supply by not only developing and manufacturing high-power UPS equipment, but also handling everything from system design to installation and maintenance. In Japan, AIR WATER SAFETY SERVICE INC. is engaged in the engineering business, focusing on sales, installation, and maintenance. We will continue to respond to strong demand and support data center operations.



# Promoting Sustainability

2030 2050

The Group's business activities utilize resources on the earth, such as air and water, and create products, services, and solutions "indispensable" for people's lives and industry, while leveraging diverse technologies, unique business models, and know-how. Based on these characteristics, we have defined a society we should aim for to realize "terrAWell30," in terms of both global environmental and wellness perspectives. We aim to maximize corporate value by solving social issues through our business and linking those solutions to the sustainable growth of the Group.



# Human Capital Management

## Toward the promotion of "management that leverages human resources"

The Group believes that business strategy and human resource strategy go hand in hand, and we believe that the growth of "human resources" leads to the growth of a company.

### Group Human Resource Strategy in Integrated Group Management

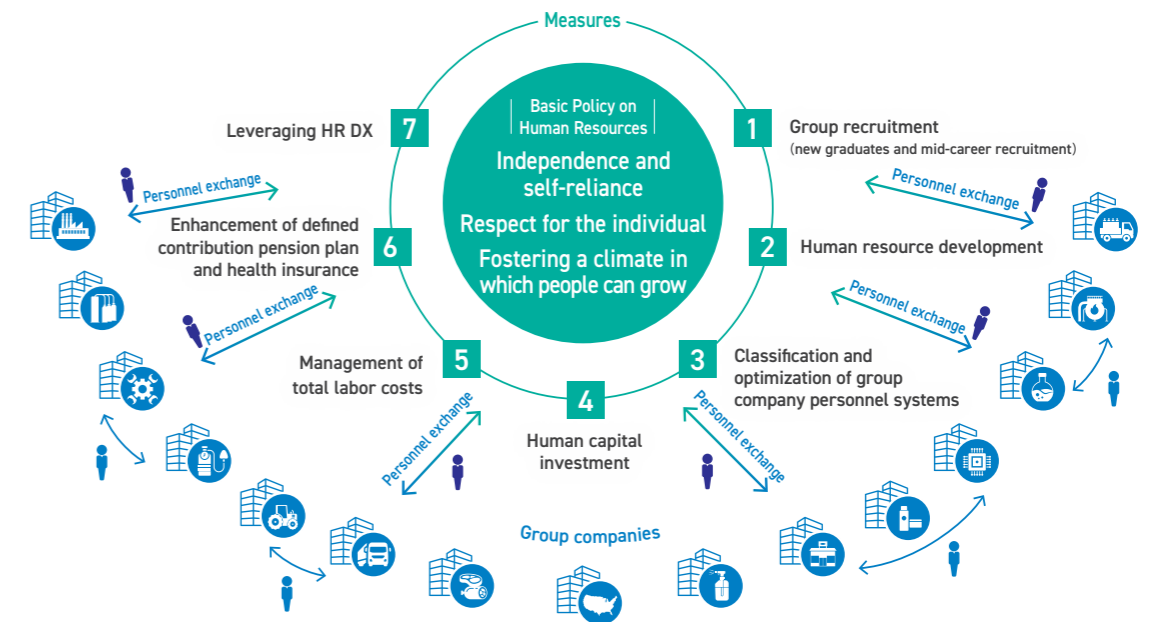
The Group promotes a human resource strategy based on Basic Policy on Human Resources of "Independence and Self-Reliance," "Respect for the individual," "Fostering a climate in which people can grow," providing employees with opportunities to think independently about their career and gain experiences for the pursuit of the career of their choice. In particular, we recognize that it is essential to develop and produce the next generation management talent capable of driving future growth. To achieve this, we are strengthening the Group human resource strategy, which includes the mobility of human resources through recruitment and personnel exchange, evaluation and development, productivity improvement and continuous wage increases, and human capital management and DE&I

(diversity, equity, and inclusion) activities.

To facilitate these initiatives, the Group HR Center was established in the HR Strategy Office in October 2023, followed by launching dedicated organizations for the DE&I Promotion Team, the Group Recruiting Team, the Talent Mobility Team, and the HR Strategy Team. Additionally in May 2023, we established a HR Committee to promote and deepen common understanding with management on important matters related to the Company's human resources. Furthermore, since June 2023, we have been regularly holding Group HR Meetings to share issues related to human resources with group companies and expand opportunities for inter-group exchange.

### Our Vision

We will promote the creation of a system in which human resources can be freely transferred among major group companies and nurtured through diverse experiences.



### Human Resource Strategy

Seeing the very growth and success of human resources as the driving force behind Air Water Group's development, we discover, select, and develop managerial talents who will drive future growth by promoting group personnel affairs.

Scheme to develop people

**Air Water's human Resource development policy**

We are developing human resources capable of driving the future growth of the Group. For this end, it is necessary to foster diverse experiences and specialized knowledge lined by such experiences.

Based on the idea that the growth of human resources leads to the growth of the Group, the Company has adopted a human resource development policy of "employees think about their future careers on their own ("respect for the individual"), the company provides opportunities for employees to take on challenges and learn ("fostering a climate in which people can grow"), and employees grow through trying and experiencing wide range of work ("independence and self-reliance")."

**Fostering a climate in which people can grow**

As one of the basic policies in human resources, "fostering a climate in which people can grow," we identified the means to promote the growth of employees, which are (1) work experience, (2) tutelage (evaluation and feedback), and (3) training. In addition to regular transfer assignments, the Company has also introduced an internal job posting system to create an environment where people can grow through experience.

**Management personnel development**

For the development of the Group consisting of more than 130 consolidated subsidiaries, the key issue is not only the independent growth of each company, but also how to develop and secure managerial talents who can maximize group synergy. Management personnel cannot be developed overnight but must be developed from a long-term perspective. To ensure that employees grow as managerial talent, we continue to build a system and corporate culture that enable them to develop their careers independently, and provide them with opportunities to learn on their own with a view to their career within the company, regardless of what level or position they are in.

**Development of global and AI/DX human resources**

The development of global human resources is essential for the Company to grow as a global company. As the first step, we are implementing practical overseas training programs for 38 new employees who joined in FY2024. Through overseas experiences, the program encourages employees to develop their global mind and competence, and eventually to play active roles in overseas business. In addition, as we strengthen our AI/DX strategy, we will promote the development of AI/DX human resources through an internal job posting system and training programs.

Promotion of work style reform

**Proper working hour management**

We believe that to achieve maximum results within proper working hours, not only managers but also each and every employee must face daily work with an awareness of productivity improvement and conduct proper time management. In November 2023, we established the Work Style Reform Promotion Committee and has been implementing various initiatives for proper working hour management, also from the perspective of health management.

**Support for flexible Work styles**

For employees facing various life events to maximize their abilities, it is necessary to "create a workplace environment where they can work with peace of mind." We have established a childcare leave program, a shortened working hours program, and a child nursing care leave program to support employees raising children, as well as a spousal leave program, and a job return program. Additionally, a flextime system and a work-from-home policy have been introduced to improve work efficiency and productivity through flexible work styles, and to create a comfortable and pleasant work environment for everyone.

**Support for balancing work with nursing care**

We shall not be a company where employees must stop working due to nursing care, medical treatment, disability, or other reasons. We will develop and enhance an environment where employees can continue to work as is by reviewing various policies, and promoting AI and DX based on our deeper understanding of work-life balance.

Promoting health management

We are committed to maintaining a supportive work environment for our employees and promoting their health. As part of our health-oriented management initiatives, various efforts are being made to promote health of employees, including sending messages from executives regarding health management, ensuring that employees receive regular health/stress checks, taking post-checkup measures, and making efforts to revitalize communication within the company and reduce the smoking rate. Since FY2022, we have been certified as a "KENKO Investment for Health Outstanding Organization" every year.



Improving employee engagement

From FY2023, we started to conduct an Employee Engagement Survey with a goal to build a work environment where each and every employee can work with enthusiasm and fulfillment and maximize their abilities. The results of the survey were reported to the Air Water HR Committee and the Group HR Meetings, and were also disclosed to all employees.

In the FY2023 survey, the overall average score was 5.05 out of 7, higher than the average of other companies (4.63). In particular, the items related to business growth potential, sense of personal growth, skill development, and social contribution were rated highly, but the items related to career and diverse work styles were rated as items where there is room for improvement. We will further increase employee engagement, by implementing measures to motivate employees, to raise their voluntary contributions to the company, and to improve the corporate culture and work environment.

Periodically conducting the survey going forward will lead to the cycle of conducting a survey, taking follow-up action, and reviewing the results. In addition, from FY2024, the scope of coverage will be expanded to include group companies.

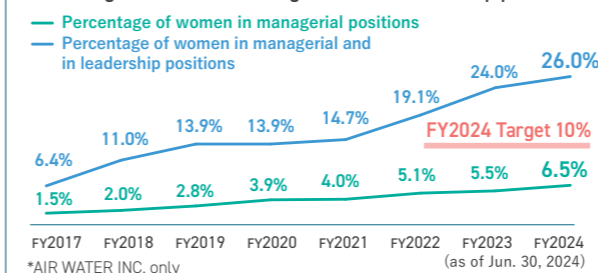
Promotion of DE&I

The Company considers diversity, equity and inclusion (DE&I) that enable people to build careers regardless of gender, age, race, nationality, and other factors to be an important issue and is promoting efforts to address it.

Promoting women's active engagement

We are promoting women's active engagement by strengthening the training of female employees. As a result of our efforts in the five priority areas of "recruitment, continued employment, development, promotion, and realization of diversity," both the percentage of women in managerial positions and in leadership positions, which are KPIs, have increased. Also we have set a target of continuously increasing the percentage of women to the number of new graduates hired to 40% or more. (→P87) In terms of continued employment, a mentoring system was used to assist career building and strengthen women's leadership development programs.

Percentage of women in managerial and in leadership positions



Promotion of young employees

We provide employees with opportunities to challenge themselves from an early stage and support autonomous career development. We will foster a corporate culture where young people actively take on new missions and grows through promotion opportunities.

Promotion ratio of young managers (in their 30s)

Of total management positions	FY2015	FY2020	FY2024
Percentage of 30s	1.3 %	5.0 %	12.3 %
Of total management promotion	FY2015	FY2020	FY2024
Percentage of 30s	18.0 %	43.0 %	62.0 %

\*AIR WATER INC. only

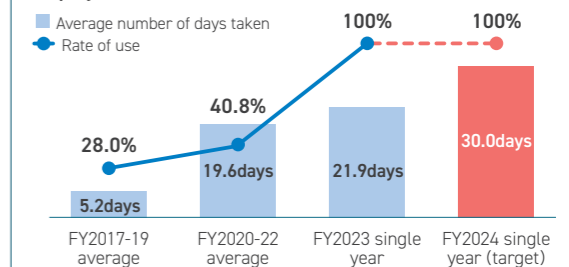
Promoting paternal childcare leave

In FY2023, we have achieved 100% of male employees taking childcare leave. We are making a steady progress in fostering a corporate culture that encourages male employees to take paternal childcare leave, thanks to efforts that involve not only the employees themselves but also those around them, such as speaking to male employees and their supervisors, holding their individual meetings with HR personnel, and promoting work-style reforms.

In November 2023, we obtained "Platinum Kurumin" certification (childcare support company), and continue to evolve into a company where employees feel comfortable working as they can balance work and family life.



Number of days of paternal childcare leave taken by male employees and rate of use



\*1 AIR WATER INC. only  
\*2 The above "childcare leave" includes both Childcare Leave (based on Article 2 of the Child Care and Family Care Leave Law) and childcare leave (five or more days of leave for the purpose of childcare based on the Special Reserve Rules for Annual Leave).

Promoting employment of persons with disabilities

Targeting all group companies, we regularly hold seminars on the employment of persons with disabilities. Seminars are designed to promote the employees' understanding of persons with disabilities, as well as recruitment and retention of such personnel. To face each employee sincerely and make the most of his or her abilities and individualities, we will create an environment, both in terms of hardware and software, to promote the employment of persons with disabilities throughout the Group.

# Occupational Health and Safety (Safety and Disaster Prevention)

## Basic concept

"Ensuring the well-being of employees" is one of the Group's Materiality. In particular, assuring safety is a prerequisite for all corporate activities. We believe that, without the safety and security of employees, a company will not survive and grow. We also believe that our safety initiatives are not only the cornerstone of social trust but also lead to improved manufacturing quality and enhanced corporate value. Based on this idea, the Group is striving for occupational safety, traffic safety, occupational health, and safety & disaster prevention in accordance with the "Safety and Health Basic Policy." Through safety and health education, we promote both individual awareness of "Safety and Health First" among all employees and the development of a company-wide safety culture.

\*Please refer to our website for our safety and health structure. <https://www.awi.co.jp/en/sustainability/social/health.html>

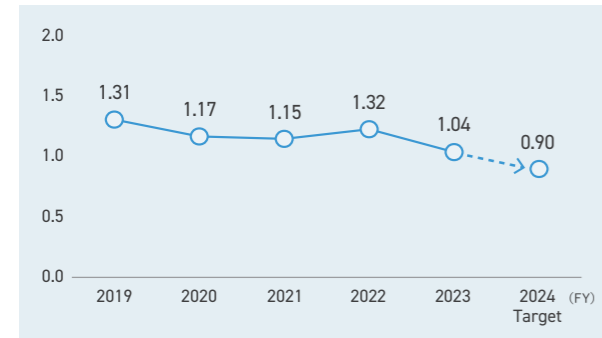
## KPI: Lost time injury frequency rate

Based on the identified Materiality, we have set the frequency rate of lost time injuries (while on duty)\* for the entire Group as a KPI. We are working to improve workplace health and safety with the goal of reducing this figure to 0.9 or less by FY2024.

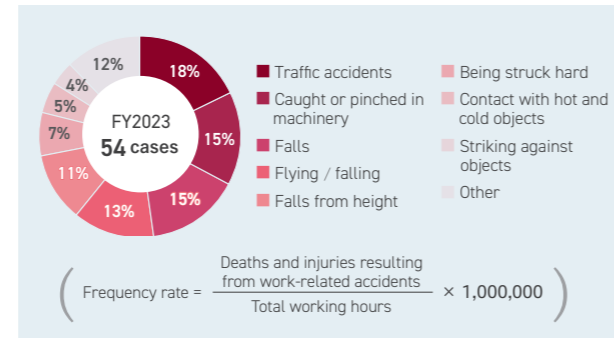
The Group is involved in a number of industries through its diversified business portfolios. According to the Ministry of Health, Labour and Welfare statistics for FY2023, the frequency rate for manufacturing industry (100 or more workers) is 1.29. Under the same condition, the Group's rate is 1.04.

\*An index of the number of deaths and injuries due to work-related accidents per million working hours.

Lost time injury frequency rate (while on duty)



Factors and number of lost time injuries (while on duty)



## Activities in FY2023

In FY2023, we focused on "pinched or caught in machinery," "Falls," and "Falls from height," thoroughly enforcing the three inherent safety principles to eliminate, isolate, and shut down hazardous sources to reduce risks associated with machinery and equipment. For "falls" and "pinched or caught in machinery" with high occurrence rates in the previous fiscal year, we set June and December as periods to intensify prevention activities. Using an occupational accident prevention check sheet, we verified the status of preventive actions and identified risks in corridors and work areas to reduce them.

Also, we held in-house training "Safety Enhancement Training by Site Supervisors (Foreman Training)" for key health and safety personnel at each business site, educating them on specific methods to reduce occupational accidents, such as risk assessment methods and documenting work procedures. In addition, approx. 250 people participated in the "Safety Staff Training Session" on-site and online. New employees received experiential education through VR and small hands-on equipment to improve their sensitivity to danger. For group companies that have experienced seri-

ous accidents, we regularly inspect accident sites and conduct risk assessments to prevent recurrence.

We are systematically investing in disaster prevention and updating aging facilities under the master plan. We also educate on-site staff and managers to increase their awareness of disaster response and safety. While efforts in safety, disaster prevention, and occupational safety can never be considered complete and remain ongoing, we achieved a reduction in the lost time injury frequency rate in FY2023. We will continue fostering a safety culture within the Group through "safety staff training sessions" and thorough risk assessments at each business site.



# Human Rights

Our Group recognizes that the process of conducting business may directly or indirectly affect human rights, and thus respects the human rights of all people involved in our business. To this end, we have formulated the "Air Water Group Human Rights Policy" based on the "Guiding Principles on Business and Human Rights" adopted by the United Nations Human Rights Council in 2011, and are promoting initiatives to respect human rights. We fulfill our responsibility to promote respect for human rights, by identifying and assessing potential negative human rights impacts of the Group's business activities on society, and working to prevent or mitigate these impacts through appropriate measures.

\*Please refer to our website for our Basic Human Rights Policy. [https://www.awi.co.jp/en/sustainability/social/human\\_rights.html](https://www.awi.co.jp/en/sustainability/social/human_rights.html)

## Human rights due diligence

Our Group promotes human rights due diligence initiatives to identify and mitigate negative human rights impacts. As a first step, we conducted a human rights risk assessment to identify and evaluate potential human rights risks in our Group regarding human rights issues that are closely related to our business and raised in the international norms. The related issues include fair wages, working hours, occupational health and safety, forced labor and child labor, freedom of association and the right to collective bargaining, and the rights of indigenous, minority, women, and migrant workers. Specifically, we worked with external experts to organize the value chain and stakeholders, as

well as conduct a potential risk assessment and workshop. That allowed us to identify three priority issues to be addressed: "occupational health and safety," "foreign technical interns," and "suppliers." We conducted an internal survey to assess the status of priority issues to be addressed. The results indicated no human rights issues that required immediate attention or posed immediate concerns. Going forward, we will continue to understand risk factors and their impacts through interviews with supply chain partners and group companies, etc., and discuss and take countermeasures regarding response policies.



# Sustainable Procurement

## Environment, Safety, and Human rights conscious procurement

The Group has established the "Air Water Group Sustainable Procurement Policy." In addition to ensuring fair, equitable, and transparent transactions, this policy incorporates environmental, safety, and human rights considerations, and we conduct sustainable procurement activities in accordance with this policy.

We distribute this policy to our business partners, and through their understanding of its contents, the Group will work together with them to address social demands including environmental impact reduction, respect for human rights in the supply chain, and health and safety management, among other environmental, social, and governance consideration.

### Sustainable Procurement Policy

The Group's business activities utilize resources on the earth, such as air and water, and create products, services, and solutions "indispensable" for people's lives and industry, while leveraging diverse technologies, unique business models, and know-how. This must be a sustainable business activity with respect to the global environment, which is the very source of our business activities.

We will build good partnerships with our suppliers and aim to achieve the Group's sustainable vision, "achieving a recycling-oriented society through coexistence with society and the earth," throughout our supply chain.



# Quality and Assurance

Our group provides products and services not only to corporate clients but also to general consumers, and customers' requirements for the quality of our products and services are diverse and becoming more sophisticated with the times.

To meet these customer requirements, the Group provides safe and reliable products and services through quality assurance activities.

## Strengthen quality assurance system

The Quality Assurance Office was newly established on June 1, 2023 to strengthen the quality assurance system for the entire group. To oversee activities within the group, we investigate quality assurance activities conducted by divisions and group companies, identify risks, and build quality assurance systems to prevent problems before they occur.

### Activities of the Quality Assurance Office

- Promoting the development of the Group's quality assurance system
- Addressing company-wide quality compliance risks
- Planning and holding of company-wide quality-related meetings
- Planning and implementation of quality-related training

# Promoting Community Partnerships and Social Contribution Activities

The Group is actively addressing regional issues while building cooperative frameworks such as partnerships with local governments, and also proactively promotes sports and arts activities support in various regions.

## Making donations to local governments in Hokkaido through the "Hometown Support H Program"

Air Water Hokkaido in our Group has established a donation program for local municipalities, the "Hometown Support (Furusato Ouen) H Program," in which H is pronounced "eichi" and means wisdom in Japanese. This program will provide donations, with all 179 municipalities in Hokkaido as eligible recipients, up to a total cap of 1 billion yen over the eight-year period from FY2023 to FY2030. In FY2023, we invited applications from Hokkaido municipalities that contribute to solving various social issues, including perspectives on our group's growth axes of "Global Environment" and "Wellness." From 46 municipalities (52 projects) that applied, following review by a committee including external experts, we donated a total of 113.35 million yen to 18 municipalities (18 projects) for FY2023.



## Our first athlete employees; fully supporting for their global challenge

Since FY2021, the Company has been sponsoring Japanese national fencing team members Misaki Emura and Yuka Ueno. In April 2024, Yuka Ueno joined the Company as an athlete employee along with her brother and fellow national team member, Yuto Ueno. The values emphasized in fencing, "a noble spirit based on chivalry," "a willingness to think for oneself and face challenges," and "challenging and contributing to the world," overlap with our Group's goal of "create new corporate value through solving social issues." We will unite as a group to support the three athletes as they dedicate themselves to fencing, using this to foster a sense of unity among all employees.



From left to right: Yuto Ueno, Yuka Ueno, Misaki Emura. Yuka Ueno and Emura won medals in the team competition at the Paris Olympics.

## Diversity Roundtable

The Air Water Group has been working on the promotion of women's active engagement as the first step to realize diversity. In order to further promote diversity initiatives in the future, about current challenges, and directions and steps we should aim for, we interviewed the three female officers.

Photography location: Air Water Kento



Member of the Board,  
Outside Director  
**Yuko Haga**

Member of the Board,  
Executive Officer  
**Kikue Inoue**

Standing Audit &  
Supervisory Board Member  
**Junko Shigefuji**

**Interviewer**  
Executive Officer, General Manager of the Corporate  
Communications & Investor Relations Office  
**Aya Uesugi**

### Initiatives to realize diversity

**Uesugi:** Today, we are joined by newly appointed female board members this fiscal year to discuss various perspectives about issues and initiatives toward realizing diversity in our company. To begin, may I kindly ask you to share a bit about your career background?

**Inoue:** I am of the generation before the enactment of the Act on Equal Opportunity and Treatment between Men and Women in Employment (hereinafter referred to as Equal Employment Opportunity Law). At

that time, it was normal for women to play a supporting role to men. I was assigned to the public relations office of a company I joined as a new graduate, but to overcome the "handicap of being a woman," I pursued my PR career across three companies, aiming to "acquire overwhelming expertise" in the field of public relations. I joined Air Water in 2016, handling public relations and investor relations. In 2022, I transferred to the Human Resources Department, and recently, have been appointed to be in charge of Promotion of Women's Active Engagement, HR, and Corporate Communications & Investor Relations.

**Haga:** I also entered the workforce before the Equal Employment Opportunity Law, at a time when women could work professionally only in foreign-affiliated firms except for doctors, lawyers, and other professionals, so I joined a foreign-affiliated consulting firm after obtaining a Master of Business Administration (MBA) degree. Later, I became an independent management consultant while finishing my doctoral degree, and now I work as a graduate business school professor and serves as a Member of the Board, Outside Director.

**Shigefuji:** I joined Hoxan, our predecessor

company, as a contract employee in 1986 when the Equal Employment Opportunity Law was enacted. In 1991, I became a full-time employee due to the company's policy changes. I found fulfilling opportunities that would have been rare at other companies, such as creating solar cell product catalogs and being sent abroad for a month as staff member for the 1987 Solar Car Race. Blessed with excellent workplace relationships, I continued my career with the company. I took one year of childcare leave in 2001, and became a manager in 2007, and after serving as manager of an affiliated company and General Manager of the Internal Auditing Office, and I am currently Standing Audit & Supervisory Board Member."

**Uesugi:** Please tell us about the Company's diversity initiatives.

**Inoue:** I feel that the situation surrounding diversity has changed dramatically in recent years. Looking back on our diversity initiatives, first, the Women's Participation and Advancement Promotion Project, which was launched in 2016 with female employees selected from each department as members, has been working as a cross-organizational project, on the themes of "improving workplace culture," "supporting continued employment," and "promoting career support, hiring, and training." Seminars and training sessions were held to promote workplace culture, and the course system, which had been hindering the promotion of women, was reviewed. From 2022, we have expanded the scope of our activities to include three regional operating companies and launched the D&I Promotion Project. In addition to "promoting women's participation and advancement," this project addressed themes including "encouraging men to take childcare leave," "support for balancing work and nursing care," "reforming awareness and culture for demonstrating initiative," and "promoting employment of persons with disabilities." In 2023, the DE&I Promotion Team was established as a dedicated organization within the HR Strategy Office as an extension of the Project.

**Shigefuji:** I participated in the first phase of the Women's Participation and Advancement Promotion Project. As the first generation under the Equal Employment

Opportunity Law, I remember how happy I was when I was selected as a member of the project, because even before Air Water's establishment, we had been communicating the importance of empowering women in the workforce through our internal newsletter and managerial promotion exams. In the Project discussions, I felt that there was a big difference in the perception of women's work environment between departments, which sometimes left me frustrated after meetings. However, as we proceeded with the Projects, it became a valuable experience for us to understand each other's differences and deepen our discussions to find a solution. Then, based on the suggestions and opinions from the Projects, the Company decided to revise the full-time employment criteria for contract employees, who were mostly women at the time, and to develop support systems such as job retention.

**Haga:** I understand that this project was launched at the behest of top management. We recognize that the fact that we have made it clear that we are serious about women's advancement has provided the impetus for promoting women's advancement throughout the Group. In interviews conducted with female employees at the Company, they voiced their desire to "have opportunities to gain diverse experiences," to "have their work results evaluated equally," and to "continue working at the company even if they had to raise children or care for family members." At that time, in many departments, women were positioned as assistants to men, and it was difficult to say that they were able to fully demonstrate their abilities. Currently, with Member of the Board Ms. Inoue and Audit & Supervisory Board Member Ms. Shigefuji serving as female officers, I believe this is the result of progress in creating an environment in which the promotion of women is realized. I feel that I must take over the responsibility for the promotion of women's activities, which Ms. Yukiko Sakamoto, who was a Member of the Board, Outside Director until the previous term, took the time to work on.

### Toward achieving a 10% of women in managerial positions

**Uesugi:** As a first step toward achieving diversity, we have set a KPI of "10% or more"

of women in managerial positions. What initiatives do you think are necessary to achieve this?

**Haga:** In many cases, women are not aware of their own abilities when it comes to promotion to managerial positions in Japanese companies. For those who are not willing to raise their hands on their own, I think it is necessary to have a system in which the supervisor pushes them after understanding their background and wishes. It is also important to build a support system, such as coaching, after the promotion of women with potential.

**Inoue:** Yes, that's right. Our company is also in the process of introducing year-round coaching for female candidates for managerial positions starting this year. In addition, a mentor system to promote women's activities has been launched in earnest.

**Shigefuji:** As Japan's birthrate declines and the population ages further, the Equal Employment Opportunity Law, the Child Care and Family Care Leave Law, and other laws are being revised. I understand that in recent years, the Act on Promotion of Women's Participation and Advancement in the Workplace has made it mandatory to disclose information on women's activities, which has created a situation where many companies are rapidly working on "women's advancement." While I feel that the situation has changed significantly at our Company with the introduction of many female managers through career recruitment, in addition to the review of systems and evaluations, I'm also concerned that consciousness about gender-based role division might still remain.

**Uesugi:** As a foundation for a work-life balance in which a diverse workforce can play an active role, we have been promoting and aiming to achieve male employees childcare leave take-up rate of 40% or more to encourage male employees to participate in childcare. What are the actual utilization conditions and effects?

**Inoue:** In FY 2023, the percentage of male employees taking childcare leave at Air Water on a non-consolidated basis reached 100%. In order to create a diverse work environment, it is first necessary to build a





Member of the Board,  
Outside Director  
**Yuko Haga**

foundation by creating a system, and then to build a culture where that system can be utilized.

There was an atmosphere of reluctance for men to take childcare leave in the workplace, and I believe this is still the case in the group companies. Our company has decided to extend our practice of officially announcing childcare leave, which was previously limited to female employees, to be issued to male employees as well, starting in May 2022. By making visible the presence of men who actually took childcare leave, I believe that we were able to gradually create a culture within the company that encourages men to take childcare leave, leading to the 100% rate this time. In the future, we intend to work on increasing the number of days taken as well as to spread the concept to group companies.

**Shigefuji:** To achieve a 100% childcare leave take-up rate across the group, I believe that support from the human resources department is also necessary, including raising awareness of the system, providing training, and securing substitutes for employees on childcare leave.

### Toward global human resource development

**Uesugi:** In addition to promoting women's advancement and encouraging men to take childcare leave, what other initiatives are you pursuing to promote diversity? In particular, I understand that you are also focusing on the development of global human resources. Could you tell us about those efforts?

**Inoue:** We hold seminars for employees,

including those at group companies, on employment of people with disabilities. Nursing care seminars are also newly started in FY2024. We have also set a goal of increasing the overseas sales ratio to 20% by FY2030, and the number of overseas group companies is increasing every year. This fiscal year, a "Global Management Conference" was held to bring together the management of overseas group companies to share group management policies, and 38 new employees were dispatched for overseas training, among other efforts to develop and utilize global human resources.

**Shigefuji:** With globalization advancing, closing the gender gap is an urgent issue, and as 1-trillion-yen revenue company, we should also be addressing social issues such as the declining birthrate and the Japan-specific difficulties inherent in living.

**Inoue:** As our group grows further as a global company, we will create a corporate culture in which not only women but also everyone can thrive equally. Since a company's greatest asset is its people, and human resources are the source of its competitiveness, we believe that we must promote the creation of an organizational culture in which a diverse range of people can play an active role.

### Significance of diversity promotion initiatives

**Shigefuji:** As part of our diversity initiatives, a "Workstyle Reform Committee" has been established, and long working hours are being improved. On the other hand, I feel that there are still issues to be addressed in terms of incorporating diverse values and opinions throughout the group. Answers obtained through discussion with a variety of values and perspectives are superior choices, and that a lively discussion process will help us to be accountable to our stakeholders. Since the number of group companies based overseas has increased over the past few years, we need to deepen our understanding of how to look at things globally and what is important, and we need to take advantage of this perspective as well.

**Haga:** While many Japanese companies

are working to promote diversity, the next challenge is to ensure that these efforts permeate every department within the company and every corner of each group company's organization. First, companies need to gain a better understanding of the importance and specific benefits of diversity, and then they need to make sure that people in each of their business locations understand the benefits of diversity as well. It may be necessary for the head office to visit the site for a detailed explanation. It is not about educating the on-site organization, but about providing thorough explanations. And it is essential to foster a culture where all employees can actually speak up in a workplace of psychological safety, and where supervisors, subordinates, and the organization can accept these voices. The goal in promoting diversity is ultimately to foster such a culture. Nothing will change if the head office simply formulates systems and measures, obtains approval from the Board of Directors, and then sends them out one-way to the entire company. We need to take time to understand the reasons why diversity isn't being promoted at each business location, understand their specific reasons, and think through solutions together. It is important to create a flow that promotes diversity throughout the organization. Once this becomes widespread, it will create an environment where diverse employees can work with excitement in their respective positions, even more than they do now.

### Aiming to create an environment where people can be excited about their work

**Uesugi:** We have a long history of reforming various human resource systems to promote not only diversity but also di-



Member of the Board,  
Executive Officer  
**Kikue Inoue**



Standing Audit &  
Supervisory Board Member  
**Junko Shigefuji**

verse work styles and a better work-life balance. Could you share your thoughts on the significance of these initiatives and the current issues?

**Haga:** The term "work-life balance" sounds like a balance based on the premise that personal and professional life are not compatible. It sounds as if taking a work will sacrifice your private life, but I don't think that is true. If the company's purpose aligns with what employees want to achieve in their lives, there is no need to sacrifice one for the other. When supervisors and the organization understand it, the engagement of each employee should increase. It would be nice if we could talk about such things in our organizations and teams.

With regard to the childcare leave take-up rate, we are tempted to set a numerical target due to the need for disclosure. However, it is also important to verify whether people genuinely feel positive about taking childcare leave. In many companies, I have heard that the actual low rate or low number of days of childcare leave taken by men is not only due to the difficult workplace atmosphere, but also to economic reasons, such as a decrease in actual salary take-home pay. It would be nice to have a system that allows the entire company to share how taking childcare leave was good for both men and women, as well as feedback from employees who actually took the leave and the issues they faced.

**Shigefuji:** I hear that many of the younger generation these days prioritize being able to contribute to society and to experience personal growth over being paid a high salary. In terms of private life, we're in an

era that recognizes truly diverse ways of life, including views on marriage, family, housework, child-rearing, and nursing care. Among them, I see an increasing number of employees taking advantage of the internal recruiting system, such as overseas transfers and new businesses.

**Inoue:** We conducted two trial runs of our internal recruiting system in 2022, and from 2023, we've fully implemented it with postings twice a year. Starting this year, we will gradually expand the program to group companies. In the last round, three regional operating companies were also added to the public call for applications.

**Shigefuji:** We have a very diverse range of businesses, some of which are venture-like businesses and companies oriented toward new technologies and businesses. In such an environment, growth opportunities are available in a variety of places, and we hope to see progress in creating a culture and a system that ensures psychological safety with a safety net that allows anyone to take on challenges. However, in introducing and operating the system, it is necessary to examine the appropriateness of the reasons for public recruitment, including the busyness of the department and the actual status of employee turnover, as well as to continuously verify and improve the effectiveness of the system. In addition, some of the women who have been promoted, especially in the past few years, have no management experience, so it is necessary to provide support beyond just leaving it to individual departments.

**Haga:** A workplace with psychological safety is an organization where people can confidently express opinions that differ from others and where there's the capacity to accept different opinions. If the employees in our group can not be excited about their work, we will not grow as a group. Therefore, in order to create a psychologically safe workplace, it is necessary to inform the managerial class of each organization of its importance. At the same time, it is important to conduct an engagement survey of the entire group, regardless of size, down to the overseas group companies, to ensure that psychological safety is maintained. In addition,

work expectations are not limited to younger workers or subordinates, but are also necessary for those who are their supervisors. If the workplace is not a place where the bosses are playing their hearts out and keeping up with the challenges, the subordinates won't be able to work with high expectations, right?

**Shigefuji:** In reality, some supervisors and managers may not have the time to support their subordinates' new challenges because of their busy schedules and pressures. We also need to ensure the psychological safety of such people and help them understand that the development of their subordinates will contribute to their own and the department's performance. I believe that we need to become a company that our front-line employees truly believe that we are "a company that will continue to grow." In order to improve our corporate value, we need to make the company where employees who are in direct contact with customers and business partners, especially female employees, would be willing to own shares in our company.

**Inoue:** The systems and structures are in place, but what is important is that they are not only formally operated, but that they are actually utilized with substance. We will continue our efforts for further growth of the group.

**Uesugi:** Today's discussion with you has given me a better understanding of the significance of diversity and the current issues that we will be addressing in our company. I myself am very much looking forward to creating an environment where employees are excited about their work and will continue to promote this together. Thank you very much.



Interviewer  
Executive Officer, General Manager of the Corporate  
Communications & Investor Relations Office  
**Aya Uesugi**

## Environmental Initiatives

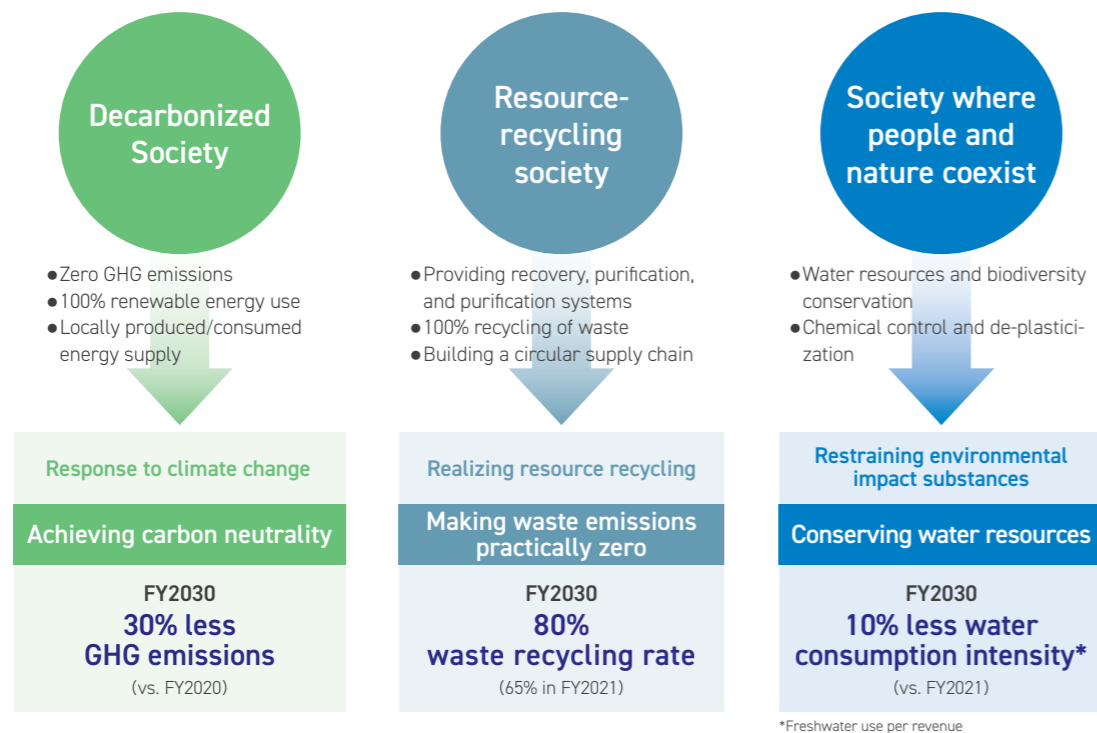
### To make a “decarbonized” and “resource-recycling” society where “people and nature coexist”

Responding to climate change and other environmental challenges is a key theme for our Group, which operates on the earth’s resources, and is a major factor in achieving sustainable growth. Our Group is working to enhance its corporate value over the mid- to long-term through the “Air Water Group Environmental Vision 2050” that aims to realize a “decarbonized society,” a “resource-recycling society,” and a “society where people and nature coexist.”

Specifically, we aim for zero environmental impact from our in-house activities by 2050. As a milestone, we have set targets to be achieved by 2030, and get more committed to decarbonization, climate change, and other initiatives. At the same time, we will promote efforts to solve social issues related to the environment through our businesses with a focus on the “Global Environment,” one of our growth axes for the diverse business domains, to achieve our “ter-aWell30” plan.

#### Delivering positive environmental value to society

#### Air Water Group Environmental Vision 2050 <Achieve a Recycling-Oriented Society>



#### Response to climate change

In August 2021, the Group expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) and joined the TCFD Consortium. The TCFD recommendations call for disclosure of information

on climate change governance, strategy, risk management, and metrics and targets. The Group disclosed the information in March 2022 in line with the recommendations, and updates the information annually.

#### Disclosure based on the TCFD framework

##### Governance

Recognizing that addressing climate change is one of its most important management issues, the Group established a new department, the Carbon Neutrality Promotion Office, to oversee climate change as of April 1, 2024. The Carbon Neutrality Promotion Office has drafted and implemented a variety of measures related to the Group’s response to climate change, and is also working on disseminating climate change response initiatives within the Group and confirming the progress. In addition, we have also established a system in which each business group, business unit, regional operating company, and group company has a TCFD Promotion Manager or Sustainable Business Development Manager who is responsible for examining and assessing climate change-related risks and opportunities, thereby incorporating climate change-related perspectives into business strategies and business promotion. Basic policies and important matters related to climate change are discussed by the Corporate Management Committee (→P71), and important matters are reported to the Board of Directors. The Board of Directors has established a system to appropriately supervise the contents of the reports.

##### Risk management

In order to enhance corporate value while ensuring sound and stable management, the Group recognizes the appropriate management and control of risks according to the characteristics of its operations and risks as one of the most important management issues, and has established a risk management system (→P76).

For climate change-related risks, the Carbon Neutrality Promotion Office will evaluate and analyze them based on the TCFD’s recommended scenario analysis methodology, working together with the TCFD Promotion Manager in our business groups.

Significant risks and proposed strategies and countermeasures are discussed and reported to the Corporate Management Committee and the Board of Directors, which

are systematically integrated into the company-wide risk management process. On the other hand, business groups and business units extract and examine risks related to their businesses, then identify key risks that have a significant impact on their businesses, formulate specific strategies and measures when formulating their three-year medium-term management plans and annual activity plans for each fiscal year, and manage risks by managing the progress of these plans.

##### Our strategy

Our Group is committed to carbon neutrality from two perspectives: our “responsibility” to reduce our own GHG emissions and our “contribution” to society by reducing GHG emissions through our products and business operations. As a means of reducing our own GHG emissions, we have established a roadmap to clarify the path, issues, and deadlines for achieving our 30% reduction target for 2030.

#### Climate change scenario analysis(→P68)

We conducted a scenario analysis to identify risks and opportunities related to the unpredictable and uncertain event of climate change and how those might affect our business strategy. In FY2023, we conducted analysis for all business units and other major businesses using two scenarios: “1.5°C scenario,” in which global temperatures rise 1.5°C above pre-industrial levels by the end of this century, and the “4°C scenario,” in which global temperatures rise 4°C above pre-industrial levels. As a result, we confirmed that Air Water’s basic strategy is sufficiently resilient to the uncertain and long-term future, as we expect sufficient response measures and business opportunities to be acquired and expanded under both scenarios, although “1.5°C scenario” would be more impactful.

#### GHG reduction roadmap

Reduction basic policy	Reduction measures	FY2020 - FY2023	FY2024	FY2025	FY2026	FY2027 - FY2028	FY2029 - FY2030
Energy conservation	Effective use of waste heat					Use of heat from biomass power generation	
	Reduction of fuel consumption					Transportation efficiency and vehicle reduction	
	Production process efficiency					Integrated operation of multiple plants for the same product, consolidation of production lines	
	Replacement with energy-efficient equipment					Renewal of plant facilities, freezing and refrigeration equipment and pumps, fuel conversion	
	Improvement of equipment operation methods					Adjustment of plant production and efficient operation of equipment	
Energy decarbonization (fuel conversion)	Coal and oil fuel conversion					Private power generation facilities, fuel conversion	
Renewable energy	Solar power generation (including PPA) use					Installation of self-consumption solar panels	
	Biomass power generation within the Group / Utilization of environmental value					Biomass power generation within the Group / Utilization of environmental value	
	Decrease in gas supply to steel mills					Reduction in plant operating rate	

Implementation of scenario (Temperature increased by 1.5°C) analysis and risk response measures

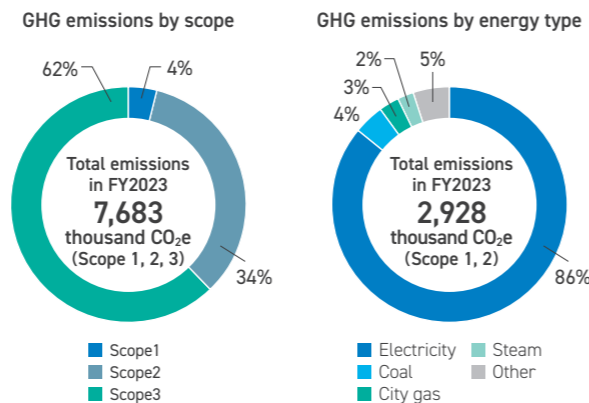
Common to all businesses						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Tighter regulations on GHG emissions (carbon tax)	Increased in energy costs of electricity and fuel used due to the introduction of a carbon levy (or carbon tax in other countries)	Medium-term	<ul style="list-style-type: none"> <li>Transfer the cost to the product prices</li> <li>Develop high-efficiency plants</li> <li>Purchase environmental value</li> </ul>	Large
Digital & Industry						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Changes in the production process	Decreased in oxygen gas consumption due to change in production process (electric furnace, hydrogen reduction) for steel at existing customer	Medium-term	Consider development and introduction of high-efficiency plants adapted to changes in customer usage volumes	-
	Transition opportunities	Capture new markets and expand existing business	Increased demand for energy-saving products and next-generation power semiconductors due to increased data processing volume resulting from digitization	Medium-term	Expand stable supply system for industrial gases, specialty gases and specialty chemical products for the semiconductor field	Large
		Capture new markets and expand existing business	Captured opportunities to sell value-added gas using green power	Medium-term	Improve external appeal through third-party certification of mass balance method	Small
Energy Solutions						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Changes in consumer behavior	Decreased demand for fossil fuels such as LPG and kerosene	Medium-term	Convert sales from LPG, LNG, and kerosene to carbon neutral LPG, ammonia, and hydrogen	Medium
	Transition opportunities	Expand business into new markets	Expanded biomethane, e-methane and CCUS business	Medium-term	<ul style="list-style-type: none"> <li>Secure a good domestic source of biomethane</li> <li>Introduce into pipelines in collaboration with city gas companies</li> <li>Form a solid business foundation by accumulating CO<sub>2</sub> capture, refining, and methanation technologies</li> </ul>	Large
		Expand business into new markets	<ul style="list-style-type: none"> <li>Commercialization of FC commercial vehicles and increase in demand for hydrogen for mobility</li> <li>Growth of hydrogen business and hydrogen station business</li> </ul>	Long term	<ul style="list-style-type: none"> <li>Establish a clean hydrogen procurement and supply system</li> <li>Install hydrogen station</li> </ul>	Large
Agriculture & Foods						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition opportunities	Development of new products and services through R&D and innovation	<ul style="list-style-type: none"> <li>Increased demand for plant-based foods</li> <li>Increased demand for products with high shelf life</li> </ul>	Medium-term	<ul style="list-style-type: none"> <li>Develop products of plant-based foods</li> <li>Develop products with improved shelf life</li> </ul>	Medium
Logistics						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Replacement of existing products with low-carbon technologies	Increased in costs due to purchase of EV and FCV trucks and installation of filling facilities	Medium-term	<ul style="list-style-type: none"> <li>Utilization of government grants</li> <li>FCV truck demonstration run in collaboration with a major automaker</li> </ul>	Small
Seawater (salt manufacturing business)						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Use of low-carbon energy sources	Continued operation of in-house coal-fired power generation facilities will be difficult	Medium-term	Switch from coal to biomass and other low-carbon energy sources	Small
	Transition opportunities	Expand business into new markets	Growing demand for low-carbon products and services	Medium-term	Capture sales opportunities through differentiation from other companies' products as "salt made from low-carbon energy"	Small

Long-term: 2030 - 2050  
 Medium-term: 2024 - 2030  
 Large: revenue / cost 10 billion yen or more  
 Medium: revenue / cost 1 billion yen or more, less than 10 billion yen  
 Small: revenue / cost less than 1 billion yen

Indicators and targets

In order to measure and manage climate-related risks and opportunities, the Group has been calculating GHG emissions (Scope 1, 2, and 3) as an indicator. Our target for GHG emissions reduction is a 30% reduction by FY2030 compared to FY2020.

In FY2023, despite implementing measures such as energy conservation in manufacturing processes and introducing renewable energy, our GHG emissions from domestic energy-based CO<sub>2</sub> sources (which are subject to our reduction targets) increased by 0.4% compared to the base year due to business growth.



\*Values for GHG emissions in FY2023 are verified by Japan Quality Assurance Organization (JQA).

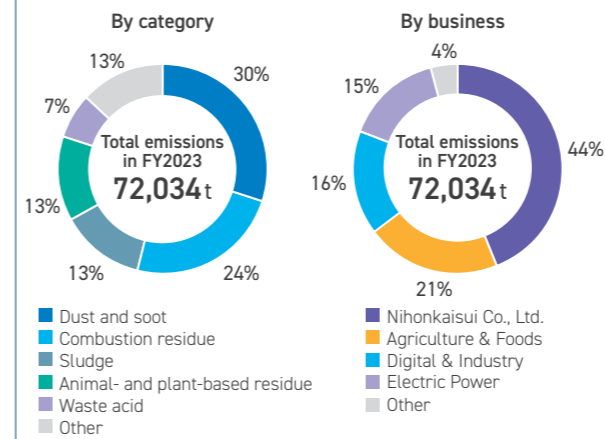
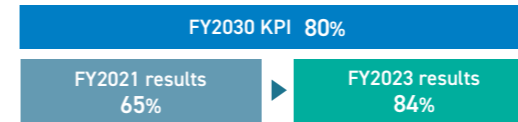
Resource-recycling society

Industrial waste

We aim to realize a supply chain that recycles resources by eliminating waste generation, promoting waste reuse, and recycling waste. Our target is to increase the waste recycling rate from 65% in FY2021 to 80% in FY2030, and further to 100% by 2050.

Having achieved the FY2030 KPI of 80% in FY2022, and we reached 84% in FY2023 through the recycling of waste solvents in the Functional Materials Business Unit and converting tea dregs from our beverage business into animal feed. Going forward, we aim to further reduce waste based on four basic policies: (1) reduce waste volume by revamping production processes, (2) internalize waste disposal, (3) convert waste into valuable resources, and (4) increase the recycling rate.

Waste recycling rate

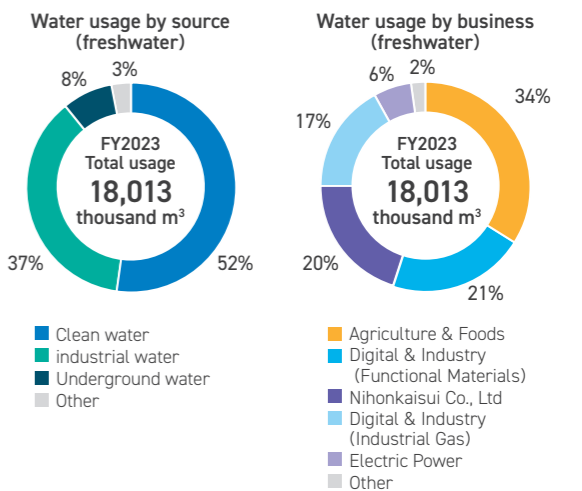
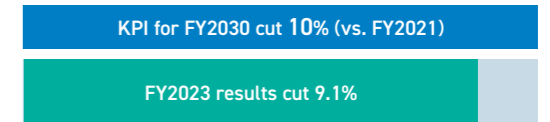


Society where people and nature coexist

Water resources

Not only do we manage water use and treat wastewater and sewage in accordance with environmental standards, including reducing the use of water resources in our business activities and reusing wastewater, but we also aim to produce clean water by purifying toxic substances in the water. We aim to reduce water consumption by 10% in FY 2030 compared to FY2021 (32m<sup>3</sup>/million yen) by capturing and reusing steam from our manufacturing processes, introducing recycling systems for wastewater and wash water, and reducing water consumption by adjusting water pressure in pipes and other facilities. In FY2023, we achieved a 9.1% reduction, mainly due to appropriate flow control in the beverage business. To achieve the FY2030 KPI, we will reduce water consumption under the following policies: (1) reduce water consumption, (2) recycle water, and (3) review production processes.

Water consumption intensity



Topics

Forest conservation activities to realize a recycling-oriented society

Since November 2021, our Group has been conducting forest conservation activities in a city-owned forest in the Horigane district of Azumino City, Nagano Prefecture, which we have named the "Azumino Air Water Forest." In May 2024, we conducted our fourth tree-planting operation. Going forward, we will continue to expand our forest conservation activities around our business sites throughout Japan to realize a recycling-oriented society and promote global environmental conservation while taking root in local communities.



In May 2024, we decided to participate in the "Keidanren Initiative for Biodiversity Conservation" by addressing the items that comprise the "Keidanren Declaration for Biodiversity and Guidelines (revised version)" proposed by KEIDANREN (Japan Business Federation) and the Keidanren Nature Conservation Council, and by endorsing the overall intent of the initiative.



# Corporate Governance

## Basic concept

AIR WATER INC. believes that fair corporate activities in compliance with social good sense and trust from various stakeholders are indispensable for sustainable development of a company and maximization of its corporate value. To this end, we recognize that the management's top priority is to enhance our internal control system, ensure compliance, strengthen risk management, and make constant efforts to improve governance.

We will enhance corporate governance by building a management structure that enables accurate management decision-making, appropriate and prompt business execution based on these decisions, and fully functional supervision and monitoring of these activities, as well as by ensuring management transparency through broad disclosure of information.

Some of the details of our efforts related to "Japan's Corporate Governance Code" by Tokyo Stock Exchange (revised in Jun. 2021) are disclosed in the Corporate Governance Report, which is available on our website. (<https://www.awi.co.jp/en/sustainability/governance/governance.html>)

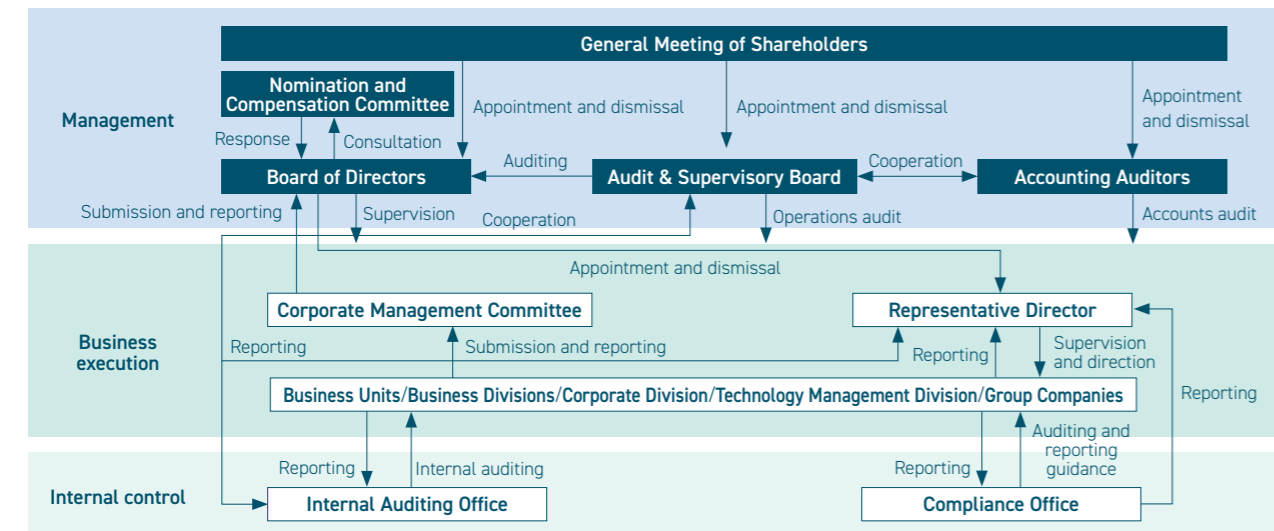
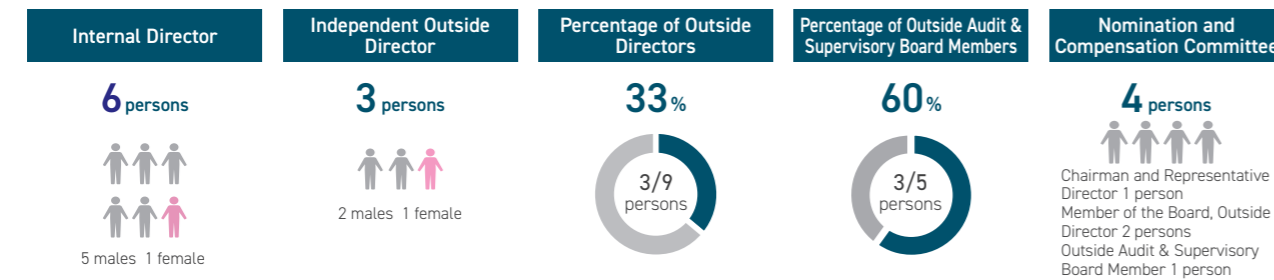
## Corporate governance structure

### Management system

AIR WATER INC. is a company with an Audit & Supervisory Board. The Board of Directors makes important management decisions and supervises the execution of business operations, while the Audit & Supervisory Board members audit director performance by attending meetings of the Board of Directors and other important meetings. We also established the Nomination

and Compensation Committee with a majority of independent outside officers (Members of the Board and Audit & Supervisory Board Members) in August 2022. This aims to strengthen the independence, objectivity and accountability of the Board's functions related to the nomination and compensation of the directors and senior management.

### Role and structure of each organization



### Business execution system

We hold a Corporate Management Committee every month as a general rule, which mainly consists of Internal Directors and the heads of each business division. The committee is set to support accurate and prompt decision-making in our Group's wide business fields. The Corporate Management Committee engages in preliminary deliberations on matters to be discussed at Board of Directors from wide and diverse perspectives, and also examines important matters on the execution of our Group's business operations.

### Internal control system

Internal Auditing Office, the internal audit division, regularly conducts audits of the Group's compliance with laws, regulations, and internal rules, as well as the appropriateness and

adequacy of business processes, and also plays a key role in evaluating the effectiveness of the construction and operational status of internal control systems to ensure the reliability and appropriateness of financial reporting. On the other hand, a Compliance Office has been established, which specializes in managing and controlling compliance, safety/disaster prevention, environmental preservation, food security, and other related matters across the Group. In the event that a fact is identified that could have a material impact on the Company's management, the Company has a system in place to report such facts to the Representative Director and Audit & Supervisory Board Members as appropriate. Additionally, we provide biannual regular reports to the Corporate Management Committee and the Board of Directors on the results of operational audits and compliance matters.

### Corporate Governance Structure

	Number of meetings in FY2023	Constituents (Members as of Oct. 31, 2024)	Main roles / major themes
<b>Board of Directors</b>	13	<ul style="list-style-type: none"> <li>Member of the Board, Internal Director 6 persons</li> <li>Member of the Board, Outside Director 3 persons</li> </ul>	<ul style="list-style-type: none"> <li>In addition to matters prescribed by law or the Articles of Incorporation, decisions are made and reported on important matters related to the management and business execution of the Group, while Members of the Board mutually supervise and monitor. (Major themes)</li> <li>M&amp;A, business alliances, capital investment, mid-term management plan, budget and financial results, human capital investment, initiatives to promote carbon neutrality, etc.</li> </ul>
<b>Audit &amp; Supervisory Board</b>	14	<ul style="list-style-type: none"> <li>Standing Audit &amp; Supervisory Board Member 3 persons (including 1 Outside Audit &amp; Supervisory Board Member)</li> <li>Outside Audit &amp; Supervisory Board Member 2 persons</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring whether Members of the Board execute duties complies with laws and the Articles of Incorporation, and whether company operations are being conducted appropriately, through monitoring and verification of the development and operational status of internal control systems, including internal controls related to financial reporting. (Major themes)</li> <li>Reviewing agenda items for the Board of Directors meetings, discussing the audit status of major group companies, exchanging opinions with the Chairman/President and Representative Director and outside officers, sharing information and exchanging opinions with the Internal Audit Division, etc.</li> </ul>
<b>Nomination and Compensation Committee</b>	4	<ul style="list-style-type: none"> <li>Chairman and Representative Director 1 person</li> <li>Member of the Board, Outside Director 2 persons</li> <li>Outside Audit &amp; Supervisory Board Member 1 person</li> <li>* Consist of at least three (3) Members of the Board or Audit &amp; Supervisory Board Members elected by the Board of Directors.</li> <li>* The majority is Outside Directors or Outside Audit &amp; Supervisory Board Members (both are independent officers).</li> </ul>	<ul style="list-style-type: none"> <li>Deliberating on the election and dismissal of Members of the Board, as well as matters related to the remuneration system and evaluation of Members of the Board. (Major themes)</li> <li>Confirmation of proposed Members of the Board, Internal and Outside Directors nominees, compensation policies and systems, criteria for selection and dismissal of officers, succession planning, evaluation systems, and nomination procedures</li> </ul>

### Board of Directors

The roles and responsibilities of the Board of Directors are as follows.

- The Board of Directors, chaired by the Chairman and Representative Director, is entrusted by the shareholders to provide management direction and to strive to enhance the medium- to long-term corporate value of the Group through free, vigorous and constructive discussions on management policy, management reform, and other issues.
- In accordance with laws and regulations, the Articles of Incorporation, and the Board of Directors regulations, make decisions on management policies, management reforms, and other matters that may have a significant impact on management and business execution.

- Delegating an appropriate range of authority for business execution decisions in accordance with relevant internal regulations, so that Executive Officers, etc. can make decisions and execute business operations promptly in response to changes in the business environment.
- The Board of Directors shall supervise and monitor each other by receiving regular reports from Executive Officers on the status of Group governance and the execution of business operations, including the progress of management strategies.

The term of office of Members of the Board is set at one year to enable the flexible establishment of an optimal management structure in a rapidly changing business environment and to clarify the management responsibility of Members of the Board for each business year.

### Major areas of experience and expertise of Members of the Board and Audit & Supervisory Board Members (skill matrix)

Based on the belief that the diversity of the Members of the Board who make up the Board of Directors determines its effectiveness and has a significant impact on sustainable growth and the enhancement of corporate value over the medium- to long-term, the Board of Directors deliberates on the balance and diversity of the composition of the Board of Directors, including the knowledge, experience, and abilities of Members of the Board, taking into account the report of the Nomination and Compensation Committee. We have identified the skills required of Members of the Board and Audit & Supervisory Board Members and published them in a "Skill Matrix". These skills comprise eight categories: (1) corporate management, (2) finance and accounting, (3) risk management and legal, (4) business strategy and marketing, (5) technology and R&D, (6) human resource management, (7) ESG and sustainability, and (8) global.

The skill items required of Members of the Board and Audit & Supervisory Board Members will be reviewed from time to time in response to changes in the Company's strategy and global circumstances.

Overview of skills required for Members of the Board and Audit & Supervisory Board Members

(1) Corporate management	Experience and knowledge of corporate management	7 persons
(2) Financial affairs and accounting	Experience and knowledge of financial accounting	4 persons
(3) Risk management and legal	Experience and knowledge in the assessment and management of various risks necessary for the sustainable growth of the company, or expertise in contentious and contractual legal matters	7 persons
(4) Business strategy and marketing	Management experience as head of a business unit or expertise in marketing	7 persons
(5) Technology and R&D	Experience and knowledge of R&D	3 persons
(6) Human resources management	Experience and expertise in human resources strategy and human capital investment	2 persons
(7) ESG and sustainability	Experience and knowledge in developing strategies to achieve a carbon neutral society or knowledge of corporate governance	3 persons
(8) Global	Experience and knowledge in corporate management overseas or in business operations and strategy development at globally expanding companies	4 persons

			Corporate management	Finance and accounting	Risk management and legal	Business strategy and marketing	Technology and R&D	Human resources management	ESG and sustainability	Global
Members of the Board	Kikuo Toyoda	Chairman and Representative Director Chief Executive Officer (CEO)	●		●	●		●	●	
	Ryosuke Matsubayashi	President and Representative Director Chief Operating Officer (COO)	●	●		●	●		●	●
	Tsuyoshi Tanaka	Senior Managing Executive Officer	●			●				
	Shigeki Otsuka	Senior Managing Executive Officer				●	●			●
	Hidetoshi Onoe	Managing Executive Officer	●			●				
	Kikue Inoue	Executive Officer			●			●		
	Takao Matsui	Member of the Board, Outside Director <i>independent</i>		●						●
	Yoshihiro Senzai	Member of the Board, Outside Director <i>independent</i>	●			●	●			
	Yuko Haga	Member of the Board, Outside Director <i>independent</i>				●			●	●
Audit & Supervisory Board Members	Yuji Ando	Standing Audit & Supervisory Board Member	●		●					
	Junko Shigefuji	Standing Audit & Supervisory Board Member		●	●					
	Kenji Yamada	Outside Audit & Supervisory Board Member (Standing) <i>independent</i>	●	●	●					
	Atsushi Hayashi	Outside Audit & Supervisory Board Member <i>independent</i>			●					
	Nobuo Hayashi	Outside Audit & Supervisory Board Member <i>independent</i>			●					

### Approach to succession planning

We recognize that one of the key roles of the Board of Directors is to select and train candidates for the next generation of the management team and to develop a succession plan for them. Succession planning is not a short-term initiative, but a long-term, ongoing process. Not only the Chief Executive Officer (CEO), but strengthening the next generation of management personnel should enhance the corporate value over the medium- to long-term. Based on such view, we hold extensive discussions through the Nomination and Compensation Committee and other committees.

### Initiatives to improve the effectiveness of the Board of Directors

#### Assessing the Board efficacy

As part of our initiatives to evaluate the effectiveness of the Board of Directors, we conduct an annual survey of all Members of the Board and Audit & Supervisory Board Members. We utilize an external third-party organization to ensure fair and objective evaluations of our survey. The Board of Directors analyzed, evaluated, and discussed the report of the survey conducted this time. As a result, our Board of Directors received generally positive evaluations, noting that it has an appropriate size and diversity for deliberations; ensures sufficient time for advance briefings to Outside Directors and Outside Audit & Supervisory Board Members and for board deliberations, leading to active discussions; and appropriately determined the executive remuneration system (which was an issue in the previous year) based on recommendations from the Nomination and Compensation Committee following consultation from the Board of Directors. Meanwhile, we identified areas for further improving effectiveness, including providing more organized explanations and materials for agenda items, implementing monitoring of the Board of Director's resolution matters, and strengthening support systems for Members of the Board and Audit & Supervisory Board Members.

In the future, based on the effectiveness evaluation, we will continue our efforts to improve the functioning of the Board of Directors by holding another Board of Directors discussion on issues and taking prompt action after due consideration.

#### Utilizing knowledge of outside officers

We strive to strengthen management supervisory functions by having at least one-third of the Board of Directors consist of Outside Directors and by receiving useful advice on the Company's management from an objective outside perspective. In addition, the Chairman of the Board of Directors asks questions and opinions of the outside officers for each agenda to improve the quality of discussions.

#### Pre-briefing for the Board

In advance of the Board of Directors meetings, the Corporate Governance Office, the Board's administration office, distributes materials on agenda and matters to be reported to Outside Directors and Outside Audit & Supervisory Board Members, with the persons in charge of drafting proposals provide explanations to promote their understanding of the content of the agenda items in order to facilitate discussions that enhance corporate value.

#### Free discussions

In order to stimulate communication among officers and realize more fruitful discussions, the Company provides time for free discussion after the Board of Directors meeting. The Board of Directors exchanges opinions not only on agenda items and report items, but also on a wide range of topics such as market trends, social conditions, and environmental issues.

#### Implementation guidelines for the Board of Directors' effectiveness assessment

Target persons	All Members of the Board (9 persons) and all Audit & Supervisory Board Members (5 persons)	
Implementation / Evaluation Method	STEP1 Conduct a survey of all Members of the Board and Audit & Supervisory Board Member STEP2 Analyze the results and identify issues STEP3 Disclose future tasks in Corporate Governance Report	
Questionnaire items	<ul style="list-style-type: none"> <li>Structure, operation and discussion of the Board of Directors</li> <li>Support system for Members of the Board and Audit &amp; Supervisory Board Members</li> <li>Initiatives by individual Member of the Board and Audit &amp; Supervisory Board Member, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring function</li> </ul>

#### Results of the Board of Directors' evaluation in FY 2023

Issues identified for FY2022	Monitoring function of the Board of Directors Designing the compensation plan for the management and determining appropriate compensation amounts	Initiatives by individual Member of the Board and Audit & Supervisory Board Member Strengthening the supervisory functions of Outside Directors
Progress of issue Initiatives in FY2023	The Nomination and Compensation Committee, which is consulted by the Board of Directors, formulates and reports on compensation proposals based on statistical data, social trends, etc.	Providing opportunities to visit sites and proactively assess business conditions
Assessment results for FY2023	Appropriate decisions are made on the compensation system for the management based on the report from the Nomination and Compensation Committee	Supervision by Outside Directors is adequate

#### Newly identified issues to be addressed in FY2023 to further improve effectiveness

- Providing explanation of agenda items and provision of materials in a more organized manner
- Strengthening of ex-post monitoring for items resolved by the Board of Directors
- Strengthening Support system for Members of the Board and Audit & Supervisory Board Members

## Disclosure of information on the performance of the roles of Members of the Board, Outside Directors and Outside Audit & Supervisory Board Members

The Company briefs outside officers on our business and organization, as well as conducts site visits to our plants and other facilities. In FY2023, they visited the Group's business sites, including LP gas filling plants, beverage filling plants, and large-scale logistics centers, actively exchanging opinions with on-site employees. Furthermore, we regularly provide opportunities for them to participate in group management meetings and other meetings.

In addition, training sessions are held regularly to promote the acquisition of knowledge necessary for Outside Directors and Outside Audit & Supervisory Board Members to properly fulfill their roles and responsibilities.

### Officers' remuneration

#### Basic policy and structure of officers' remuneration

Our basic policy on Members of the Board's remuneration is to maintain a remuneration structure that functions sufficiently as an incentive for Members of the Board to maximize their roles in sustainably enhancing corporate value and enables us to secure and retain excellent talent. Remuneration of each Member of the Board is set at an appropriate level, taking into consideration the roles and responsibilities of each Member of the Board and his/her business performance. The remuneration for Members of the Board consists of fixed basic remuneration, performance-linked remuneration, and stock-based remuneration (excluding Outside Directors).

The ratio of basic remuneration, performance-linked remuneration, and non-monetary remuneration for officers is set at 7:2:1 respectively, taking into account consistency with the range of remuneration levels of other companies in the same industry and of the same size.

The remuneration for Outside Directors and Audit & Supervisory Board Members is limited to basic remuneration only. Furthermore, the remuneration amount for each Audit & Supervisory Board Member is determined by discussion among the Audit & Supervisory Board Members within the range of the total amount of remuneration determined by resolution of the general shareholders' meeting.

#### Composition of the remuneration

##### Basic remuneration

Monthly fixed remuneration will be determined based on a comprehensive consideration of various fundamentals in the Company's business and management environment, the level of other peer companies according to positions and job responsibilities, the Company's performance, and the level of employees, depending on the position and responsibilities of the position.

##### Performance-linked

Cash remuneration reflecting performance indicators as a short-term incentive to achieve performance targets for each FY. Bonuses are paid at a specified time each year, with the amount calculated based on achievement levels of consolidated revenue and operating profit, and targets for each division (operating profit and mission for each division), etc. Target performance indicators and their values are set at the time the plan is formulated to be consistent with the management plan, and will be reviewed from time to time as the environment changes.

#### Process for determining officers' remuneration

The total amount of remuneration, etc. for each Member of the Board is determined by the Board of Directors based on proposals prepared by the Nomination and Compensation Committee, a voluntary advisory body to the Board of Directors, within the maximum amount of remuneration resolved in advance at the General Meeting of Shareholders. The specific timing and allocation of payments to each Member of the Board are delegated to Kikuo Toyoda, Chief Executive Officer. The scope of this authority covers the amount of each Member of the Board's basic remuneration and bonus, as well as the number of restricted stock shares.

#### FY2023 officers' actual remuneration

Classification	Total amount (million yen)	Total amount by type (million yen)			Number of officers covered
		Basic	Performance-linked	Non-monetary	
Members of the Board (of which Outside Directors)	601 (38)	391 (38)	154 (-)	55 (-)	14 (4)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	104 (49)	104 (49)	- (-)	- (-)	5 (3)

(Notes)

- Bonuses are paid to Members of the Board, such as performance-linked compensation.
- Non-monetary compensation, etc. represents the expensed amount in FY2023 under the restricted stock compensation plan.
- The number of eligible Members of the Board above includes five directors who retired at the close of the 23rd Annual General Meeting of Shareholders held on Jun. 23, 2023.

##### Non-monetary

Non-monetary remuneration, etc. (stock-based remuneration) is in the form of restricted stock, and shares of the Company's common stock are granted after a certain period of transfer restriction, with the aim of promoting efforts to enhance corporate value over the medium- to long-term and further align values with shareholders.

##### Restricted stock

In principle, a predetermined number of common shares, determined according to position, is granted annually after executing a transfer restriction agreement (restricted stock allocation agreement) between the Company and the eligible recipient. The transfer restriction period extends from the share grant date until the recipient's resignation or retirement from either their position as Member of the Board or another position specified by the Board of Directors, in order to achieve long-term sharing of shareholder value.

## Approach to relational shareholdings

### Policy on relational shareholdings

We hold relational shareholdings for the purpose of creating business opportunities, expanding transactions, and maintaining relationships with business partners.

The criteria to determine whether new acquisitions and continued holdings are appropriate are whether business relationships, alliances, collaborations, and other cooperative relationships with the target companies will contribute to the Group's corporate value over the medium- to long-term.

We have a policy of continuously reducing these holdings, taking into consideration the risk of stock price fluctuations, holding costs, capital efficiency, and other factors.

### Examination of relational shareholdings

The Board of Directors closely examines each individual relational shareholding every year to review whether the benefits and risks of the holding worth capital costs as well as whether such holding is aligned with our goal of improving corporate value over the medium- to long-term.

For holdings where significance and rationality cannot be confirmed, we proceed with reduction through sales and other means as appropriate, taking into consideration the circumstances of the Company, stock prices, market trends, and other factors. In FY2023, as in the previous year, we continued to sell some of its shares.

### Voting rights exercise criteria for relational shareholdings

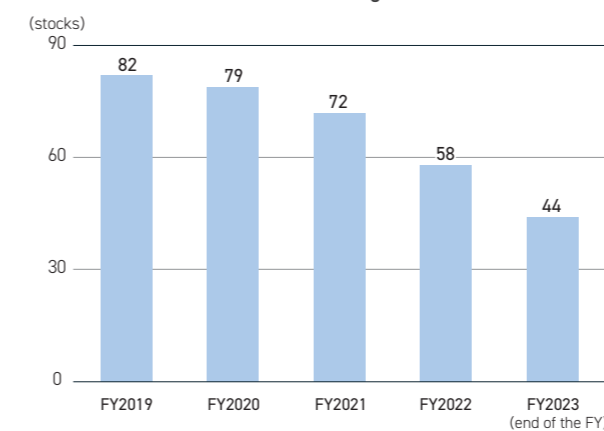
Regarding the exercise of voting rights for relational shareholdings, the Company makes a decision on each proposal by considering whether the content of the proposal contributes to the sustainable growth and medium- to long-term improvement of the corporate value of the investee company, and whether there is a risk of damaging the value of the Group's shareholders.

#### Number and balance sheet amounts of relational shareholdings

(as of Mar. 31, 2024)

	Number of issues (stocks)	Total amount recorded on balance sheet (million yen)
Listed stock	44	43,850

#### Number of listed relational shareholding



## Approach to parent-subsidary listing

Regarding parent-subsidary listings, we make decisions on the rationality of maintaining listings from the perspective of maximizing corporate value for the entire group including subsidiaries, on the premise that the subsidiary's unique corporate culture and management autonomy are maintained and the rights of minority shareholders are respected.

In addition to the benefits of "strengthening recruitment capabilities" and "securing the trust of business partners" for the subsidiary, the parent company can also expect synergistic effects through collaboration and cooperation.

Kawamoto Corporation, a listed company, is our consolidated subsidiary. We are working to create group synergies through various initiatives, including: expanding product lineups through the subsidiary's supply of sanitary materials, medical supplies, and nursing care products to our Company; cultivating new customers through our Group's nationwide sales network of medical-related companies; mutual cooperation in developing advanced medical sanitary materials products and higher value-added services.

We plan to continue to discuss the rationale for the parent-subsidary listing.

## "Group Governance" to support corporate value creation

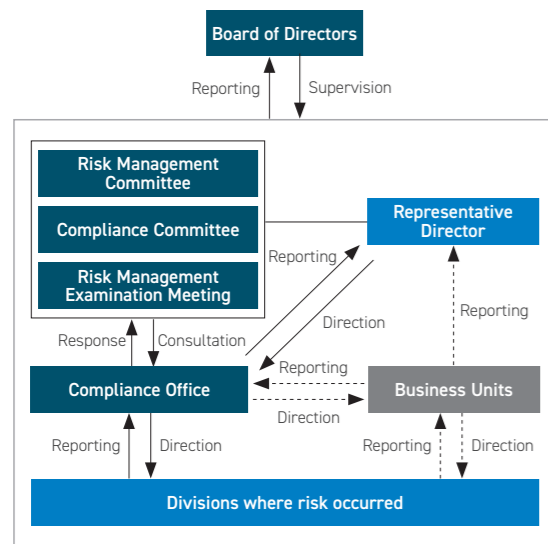
As the Group's supervising company, the Company is responsible for "Group Management," which includes supporting and supervising the business operations of our operating companies, implementing optimal resource allocation, in order to enhance sustainable growth and medium- to long-term corporate value. Our group management responsibilities encompass: instilling group philosophy, developing sustainability policies and long-term growth strategies, managing group capital and financial discipline, establishing risk management and compliance systems, and developing group governance structures. While maintaining their autonomy, each group company promotes structural reforms and capital efficiency initiatives through PDCA cycles based on targets and plans determined through dialogue with the Company and each unit's management division regarding the scope of business for which it is responsible. Under this division of roles among group companies, we aim to enhance medium- and long-term corporate value by further strengthening dialogue and collaboration.

# Risk Management

## Risk Management Structure

The Company has established a cross-group risk management system to accurately and promptly assess the overall picture of risks, and to mitigate such risks.

### Outline of compliance and risk management structure



(Compliance structure →P78)

### Key Points of Our Risk Management Structure

1. The Compliance Office, which is under the direct control of the Representative Director, is in charge of managing overall risks related to compliance, safety and disaster prevention, environmental preservation, and occupational safety, which are considered particularly important risks in the Group's business activities.
2. For individual risks related to information security, quality assurance, intellectual property, business contracts, etc., we establish divisions in charge of each risk. We manage such risks in the Group by preparing rules, manuals, and conducting training sessions, through preliminary consultations and approval systems.
3. "Risk Management Examination Meeting" is regularly held by the Compliance Office as its secretariat to monitor the status of risk management in the entire Group. The results of the discussions and activities of these meetings are reported to the Representative Director, and instructions are given to each business unit and risk generation division.
4. For overseas business, the Global Management Office, which reports directly to the President, manages the Group's global risks with respect to overseas operations.
5. If the event of the occurrence of a risk that is expected to have a significant impact on business activities, a "Crisis Management Committee" will be established immediately in accordance with the "Risk Management Regulations," and a framework for dealing with the realized risk promptly and appropriately will be put in place.

## Risk management process

### Risk identification process

We regularly hold Risk Management Examination Meeting to discuss risks surrounding our Group.

In these Risk Management Examination Meeting, we analyze the probability of occurrence, impact, and residual risk after countermeasures are taken for the Group from a list of potential risk items. Subsequently, we reassess our risk response system through questionnaires and interviews with business and division managers, and implement measures with clearly designated supervising divisions.

In addition, as a part of risk response system, the Compliance Office acts as the supervising division when a company-wide response is required, depending on the level of importance, to enable prompt reporting, communication, and decision making throughout the Company.

### Major business risks

<b>Large-scale disaster</b>	Factory operations, raw material procurement, and surge in purchase price
<b>Manufacturing/quality accidents</b>	Equipment failure, recall
<b>Occupational safety and health</b>	Workplace accidents, mental health
<b>Shortage in human resources</b>	DX human resource, global human resource, succession of qualified persons
<b>Information Security</b>	Cyber attacks, virus infections, Information leak
<b>International affairs and conflicts</b>	Security measures, anti-terrorism measures, import prices
<b>Human rights violation</b>	Harassment, distribution channels

### Major risk reduction initiatives

Among the Group's major risks selected by the Risk Management Examination Meeting, the following events are addressed across the Group.

#### Responding to natural disaster risk

Each business is formulating BCPs (business continuity plans) for large-scale natural disasters, conducting regular emergency drills, and enhancing emergency supplies to minimize risks. These plans are prepared for each business unit and organizationally implemented according to the characteristics of the business. We have established stable domestic supply systems, particularly for lifeline services such as LP gas and medical oxygen for home oxygen therapy patients, as well as for industrial use, we have built a nationwide network of small air separation plants for oxygen, nitrogen, and argon.

#### Responding to quality risks

The Group provides quality-assured products, goods, and services across various industries, either through legal regulations or through agreements with its customers.

In our Medium-term Management Plan, we have identified strengthening quality compliance as one of our crucial management issues. We have established quality compliance guidelines as a group-wide standard and conduct regular

quality risk surveys and quality compliance audits to minimize risks.

Furthermore, the Quality Assurance Office was newly established on June 1, 2023 to strengthen the group-wide quality assurance system and to oversee activities within the Group.

#### Responding to overseas business risks

As part of its growth strategy, the Group is strengthening its overseas operations, particularly in the U.S. and Asia.

We research and collect information on political, economic, and social conditions in the countries where we operate, as well as on our customers, business partners, and other stakeholders in the region, and share this information within the Group. In addition, as part of its global risk management activities, we have established "Security Export Control Regulations" and "Security Transaction Control Standards," providing guidance and advice on export control and other matters within the Group.

In addition, we are building a risk management system for the Group while utilizing the know-how and knowledge gained through overseas M&As, such as strengthening the checking system for business partners and end users through the introduction of KYC (compliance tools).

## Cybersecurity

Regarding our cybersecurity structure, we have appointed an Information Security Manager who oversees security for our entire Group. In order to address continuously evolving cybersecurity risks, we have a system in place to study, budget, and structure measures, and to implement them appropriately.

When entrusting our Group's information to external services, such as cloud services, we conduct evaluations based on our Group's security standards according to the importance of the information. Specifically, we perform risk assessments of system safety based on external expert opinions, and when standards are not met, we either request improvements or change the cloud service provider.

In accordance with laws and regulations, we publicly disclose the purposes of personal information use on our website and manage such information appropriately. In addition, we implement access controls, such as granting permissions based on roles, to prevent information leakage to external parties and unauthorized access by individuals unrelated to operations. We also have established various regulations and rules for information classification and definition, which are thoroughly communicated to all officers and employees.

### Incident response

The Infrastructure & Security Assurance Group was established in FY2023 to address the threats of evolving cyber attacks. The Group utilizes virus detection tools to detect and respond to viruses on a daily basis to ensure early containment and prevent the damage escalation. In addition to establishing an organizational structure, we have developed response plans that anticipate potential security incidents such as virus infections. Furthermore, when an incident occurs, we promptly investigate the cause and implement corrective measures and recurrence prevention measures (preventive actions) in cooperation with relevant divisions.

### Education and training

The Group conducts training and drills for employees in accordance with the "Information Security Management Regulations" to improve their literacy regarding cybersecurity. The training is conducted through e-learning and covers topics such as the latest cyber-attack cases and contents to ensure the safety of information assets. Additionally, to ensure quick and smooth responses even in emergency situations, we conduct unannounced targeted email attack drills multiple times a year. Through these initiatives, we maintain and improve our cybersecurity skills.

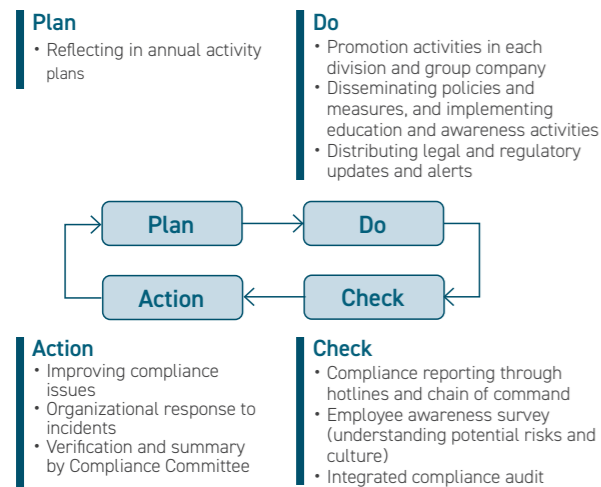
# Compliance

## Enforcing Compliance

### Compliance structure

We have established the Compliance Office, which is under the direct control of the Representative Director, as a department responsible for the integrated management of compliance issues within the Group, and have appointed a responsible person from among Member of the Board or Executive Officers. Furthermore, we have established a department responsible for compliance within each business group and are working closely with the Compliance Office to strengthen our compliance system, which includes all our group companies.

### PDCA cycle for compliance activities



### Compliance Committee

We have established the Compliance Committee (→P76) as a consultative body in which relevant divisions get together and discuss compliance issues. The Committee considers specific measures concerning the policies and instructions on compliance given by the Representative Director, and other issues as well as discusses what to do in the event of noncompliance. In FY2023, the committee met twice to discuss important compliance matters within the Group.

### Air Water Group Code of Ethical Conduct and dissemination

The "Air Water Group Code of Ethical Conduct" provides all officers and employees with guidelines to help them act in strict conformance with the laws and regulations and behave in an ethical manner. In addition, we have a "Compliance Handbook," which breaks down the code and provides examples of violations in an easy-to-understand manner. The handbook is posted on our internal intranet and distributed to all Group employees with the aim of raising their awareness of the vital importance of ethical conduct and compliance.

### Major initiatives to ensure compliance

#### Conducting compliance checks

In order to promote compliance and strengthen governance within the Group, we conduct comprehensive inspections and surveys at all Group business locations (approx. 700 business locations) regarding compliance with legal standards, compliance-related matters, labor management, etc., as compliance checks (self-assessment) accurately assess the management status at each business location.

Based on these results, we work to improve the comprehensiveness and corrective effectiveness of internal audits.

#### Prevention of misconduct at subsidiaries

Based on the Group Code of Ethical Conduct and Compliance Regulations, which stipulate that all officers and employees of the Group should comply with laws and regulations, we have established a legal compliance system by appointing compliance promotion managers at each group company.

Furthermore, we strive to prevent misconduct throughout the Group by including each group company in our internal audit scope and maintaining an Internal Reporting System that includes external law firms as reporting destinations.

### Internal Reporting System

In order to enhance the effectiveness of compliance, the Company has established and operates an Internal Reporting System that allows officers and employees of the Group to report or consult directly with the Compliance Office or outside attorneys, etc., without going through the organizational channels, when they become aware of any suspicious compliance-related activities.

Anyone who becomes aware of any violation or potential violation of laws, regulations, and internal rules may file a report. We provide internal and external contact points for whistleblowers and stipulate that whistleblowers will not be subjected to any unfair treatment. Furthermore, the contact information for such "Hotline" of the Internal reporting system is displayed on a "Compliance Poster" placed at all business locations to ensure that each and every employee of the Group is aware of the system.

In FY2023, there were 27 whistleblowing cases, none of which had a material impact on our business.

# Stakeholder Communication

## Dialogue with stakeholders

The Group's business is built on relationships of trust with our stakeholders. We believe that understanding and meeting the demands of our diverse stakeholders, including domestic and international customers, shareholders and investors, business partners, local community members, and the general public both in Japan and overseas, and employees, lead to enhance corporate value.

In order to connect stakeholders dialogue with better business activities, and to remain a company that is trusted by all stakeholders, we provide fair and timely information disclosure and create appropriate communication opportunities that emphasize two-way dialogue with each shareholder group.

### Communication opportunities with key stakeholders

Stakeholders	Examples of communication opportunities	Outcome
Customer	<ul style="list-style-type: none"> <li>Response by sales and sales representatives</li> <li>Providing product and service information in catalogs and on websites</li> <li>Responding to inquiries by telephone, website, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Improving customer satisfaction by providing products and solutions that meet their needs</li> </ul>
Shareholder and investor	<ul style="list-style-type: none"> <li>Information disclosure and communication at General Meeting of Shareholders, Financial Results Briefings, and various briefings for investors</li> <li>Individual meetings</li> <li>Timely disclosure of information in Integrated Reports, websites, etc. (IR activities results →P90)</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing management credibility</li> <li>Improving management quality</li> <li>Formation of appropriate stock price</li> </ul>
Business Partner	<ul style="list-style-type: none"> <li>Response by procurement staff</li> <li>Receipt and response to comments and questions from cooperating companies</li> <li>Internal Reporting System (hotline)</li> </ul>	<ul style="list-style-type: none"> <li>Improving partnership with business partners</li> <li>Timely proposal and provision of products and services that combine superior quality with competitive pricing</li> </ul>
Community & Society	<ul style="list-style-type: none"> <li>Resource recycling projects, etc.</li> <li>Cooperative activities with local communities and businesses</li> <li>Collaborative research with universities</li> <li>Community contribution activities (Promoting community partnerships and social contribution Activities →P61)</li> </ul>	<ul style="list-style-type: none"> <li>Building good relationships with local communities</li> <li>Developing technologies that enable the provision of better products and services</li> <li>Creating new businesses</li> <li>Improving partnerships for collaborative value creation</li> </ul>
Employee	<ul style="list-style-type: none"> <li>Sharing the direction and issues that the Group should address</li> <li>Various training and interviews, labor-management communication</li> <li>Internal Reporting System (hotline)</li> <li>Employee engagement survey</li> </ul>	<ul style="list-style-type: none"> <li>Fostering and instilling a corporate culture</li> <li>Improving employee engagement</li> <li>Realizing a working environment that allows employees to continue to work in good health</li> </ul>



## Outside Directors Roundtable



Member of the Board,  
Outside Director **Yoshihiro Senzai**

Member of the Board,  
Outside Director **Yuko Haga**

Member of the Board,  
Outside Director **Takao Matsui**

We asked the Members of the Board, Outside Directors about the current state of Air Water's governance, issues, and initiatives that should be strengthened in the future.

**Q: Have there been any changes in our governance structure over the past few years? Please also tell us what you are mindful of regarding the role of Outside Directors.**

**MATSUI:** This is my fourth year in office, and I feel that the discussions of the Board of Directors have been enriched with advice from a more management perspective, particularly since Director Senzai, who has top management experience, joined in 2022. Discussions about the company as a whole, and management in general, have become more lively, leading to positive activation of the Board.

**SENZAI:** As long as I am in the core of management as an Outside Director, I want to provide advice that fits the Company and adds value. It is easy to just give a lecture, but that will not be accepted by the people in the field. To provide valuable advice, it's necessary to understand the Company. While materials are prepared in advance of the Board of Directors, I attend the meeting after assessing issues and preparing in my own way.

Additionally, an important role of Outside Director is to convey the importance of developing management talent who can look at the management from a bird's eye view and see across businesses. I believe this ultimately leads

to maximizing the abilities of employees and the growth of the Company. I would like to continue communicating these perspectives to management.

**HAGA:** I took office this year, and at the time of my appointment, Chairman Toyoda told me, "As an Outside Director, I want you to bring in external perspectives solidly," and I intend to fulfill that responsibility. While various individual cases come up, I always try to consider whether these decisions we make will truly lead to the creation of corporate value for our Company and how they will contribute to that value. Of course, I try to think in terms of improvement, not only in financial value

but also in social value. How to strengthen governance in accordance with our current situation and the environment in which we find ourselves is an issue for the future. I believe it is important for Members of the Board, including both internal and outside directors to work together to have a thorough discussion about the Company's corporate governance and align our perspectives.

**Q: As a Member of the Board, Outside Director, what challenges do you perceive and what initiatives should be strengthened to enhance the Board's effectiveness?**

**MATSUI:** This is not an issue limited to our Company, but since Outside Directors are not full-time employees, the amount of information we have is extremely limited compared to those who are full-time employees. Since we need sufficient information to fulfill our responsibilities as Members of the Board, we particularly want to hear about negative information. I hope a system can be created that allows Outside Directors to obtain more information than before. In terms of support that needs enhancement, we need study sessions about each business area. This year, the study sessions were held following the appointment of Outside Director Haga, but since our Company's

business is very diverse, we would like to see regular study meetings continue in the future to enhance understanding of our businesses.

**HAGA:** Before joining, it was difficult to understand the business model and other aspects of the company, but after receiving information upon joining, I was able to understand why the business portfolio was the way it was. As Matsui mentioned, when I was newly appointed to the Board this year, I had the opportunity to receive business explanations from the head of each business division. This was extremely helpful as a new Member of the Board. Now that I've received explanation of each



Member of the Board, Outside Director  
**Yuko Haga**

- Apr. 1989 Senior Consultant, Strategy Consulting Group, Price Waterhouse Consultants Co., Ltd.
- Apr. 1991 Representative, Haga Management Consulting Office (current)
- Mar. 2019 Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (now Kyowa Kirin Co., Ltd.) (current)
- Apr. 2020 Professor, Graduate School of Management, Nagoya University of Commerce & Business (current)
- Jun. 2020 Outside Director, MinebeaMitsumi Inc. (current)
- Jun. 2024 Member of the Board, AIR WATER INC. (current)

capital.  
Even if top management changes from PL focus to cash flow focus, it might take time for employees who have been conditioned to prioritize P&L to change their mindset. We also need to change all evaluation methods. However, I think the trend is good.

**SENZAI:** While sales scale is important, in the future it will become more important to scrutinize the contents, isn't it? How to lighten the balance sheet and secure profits for the future. I also believe that our Company is heading in the right direction. As Matsui mentioned, we need to firmly instill BS management within the Company. If we are only concerned about the increase or decrease of a single ROIC number, there is no point in adopting it. It is necessary to disseminate the implications of why we're implementing these methods within the Company.

**MATSUI:** Business divisions often fall into discussions of partial optimization for each business segment. Although this is natural as they are responsible for the profit and loss of the business performance, from our perspective as Outside Directors, each business division needs to consider optimization from a group-wide perspective, particularly from stakeholders' viewpoints, including shareholders.

business unit at this stage, I would also like to hear separately about how the Group envisions its strategic story from an overview perspective across all businesses.

**MATSUI:** And I also believe that site visits are important. Independent Directors are, of course, allowed to visit the site several times a year. Based on my auditing experience, there is a significant difference in perception when one has visited the actual site versus when one has not, particularly for important locations. While there are constraints in terms of distance and cost, making it impossible to visit every site, I believe it is important to visit not only domestic locations but also key sites of India and the United States.

Furthermore, monitoring is also an important issue that should be strengthened in the future. Our monitoring of the investment outcomes hasn't been sufficient until now, and we are in the process of strengthening and improving the monitoring at the Board of Directors.

**SENZAI:** The market is always changing, so plans may change midway. However, when there is a deviation from the plan, it will be necessary to correct the course as soon as possible, which is why, as Member of the Board Matsui mentioned, monitoring needs to be

strengthened. For this reason, I believe it is also important to develop talent within the Company who can quickly recognize changing tides and express their opinions. Otherwise, we can not even discuss alternative plans.

**Q: Having achieved our goal of 1 trillion yen in revenue, our Company is in the process of working toward the next stage. What do you think is necessary to achieve further growth?**

**MATSUI:** After becoming a trillion-yen revenue company, the way of thinking of management has gradually changed. In the past, we have focused on PL management, but I feel we've recently shifted to emphasizing cash flow and cost of



Member of the Board, Outside Director  
**Yoshihiro Senzai**

- Apr. 1971 Joined Hitachi Maxell, Ltd. (now Maxell Holdings, Ltd.)
- Jun. 2016 Chairman, Maxell Holdings, Ltd.
- Oct. 2017 Representative Director and Chairman, Maxell Holdings, Ltd.; Director and Chairman, Maxell, Ltd.
- Jun. 2021 Executive Advisors, KRI, Inc. (current)
- Sept. 2021 Outside Director, I-O DATA DEVICE, INC. (current)
- Apr. 2022 Visiting Professor, Kansai University (current)
- Jun. 2022 Member of the Board, AIR WATER INC. (current)
- Jun. 2024 Executive Adviser, ENAX, Inc. (current)

**SENZAI:** It seems that actually there are areas where synergies aren't being realized despite having various businesses. It does not make sense to just list a large number of businesses. How can we, as a group, combine the strengths of each business and create synergies? When we foster unity and turn addition into multiplication, our Company will become truly unique in the world.

In order to do so, we will create something that has never existed before by combining many businesses in a cross-functional manner. This is innovation. Our Company exists to create innovation, and that's our raison d'etre. This way, our stakeholders can look forward to the future of our Company. Since I joined the Company as an Outside Director, I want to contribute to building the world's best company with this unique business model.

**HAGA:** Regarding synergies, it is important to show specific examples externally, but I think it is very difficult to show individual products or businesses that have been created as a result of synergies. Rather, what does it mean for the Group as a whole to increase in value? For example, it would be good to explain how all business units can enhance their value by utilizing our common foundation or management resources.

We also need to show that we have an organization and structure that enables us to utilize such management resources throughout the Group.

**SENZAI:** I believe that sharing a common vision is very important for our growth as a group. I recognize that it's becoming increasingly important to define how we want the Company to be and where we want to take it in the future. While vision can evolve with time, when we instill it throughout the Group and translate it into numbers, governance naturally becomes more effective. Governance will not work if each companies are heading in different di-

Member of the Board, Outside Director  
**Takao Matsui**

- Oct. 1982 Joined Asahi & Co. (now KPMG AZSA LLC)
- Jul. 2010 Partner, KPMG AZSA LLC
- Sept. 2014 Auditor, KPMG AZSA LLC
- Mar. 2019 External Auditor, Carina Biosciences, Inc.
- Mar. 2020 Outside Director, Audit and Supervisory Committee Member, Carina Biosciences, Inc. (current)
- Jun. 2020 Member of the Board, AIR WATER INC. (current)



rections. As an Outside director, I will provide advice to help establish management that can envision the future.

Since my time as an executive, I have always said that you can't manage by simply being an expert in your field. I want our Company's talent to go beyond their specialized fields and study areas like tax law, accounting, civil law, and psychology, viewing not just their business but the entire Group from a perspective two steps above their current position. No matter how small a group company may be, the people who are in charge of top management need to have such a perspective, and unless they have this perspective, there is no point in joining our Group.

Also, as we're currently actively expanding overseas, it's important to develop talent who can handle international operations through proper training, as different countries have entirely different laws and cultures, making governance and risk management crucial.

**HAGA:** You are right. We are in the stage of accelerating our overseas expansion, and our overseas ratio is increasing every year, so overseas governance is a high priority for us. Rather than controlling overseas subsidiaries from the head office in Japan, I believe it's most important for head office to properly support measures that enable overseas subsidiaries to grow inde-

pendently. For this, it's crucial to give both authority and responsibility to the heads of overseas subsidiaries while maintaining strong communication with head office in Japan.

In addition, as our Company continues to expand our Group through M&As and joint ventures, and as the number of new group companies increases rapidly and we undergo significant changes as a Group, we naturally need to evolve our governance as well. In terms of governance, I think it is important to regularly check, through engagement surveys and other means, how we share or are able to share the vision that Senzai mentioned earlier, as well as the management philosophy and action guidelines as a group, with all companies that have become part of the Group.

**MATSUI:** Many of the companies joining the Group are small to medium-sized, and each has a different culture. Although it won't happen overnight, I hope to see the administrative divisions such as the internal audit, global management, and consolidated management work closely with the current business operation divisions to strengthen management, including governance.


# Board Members

(as of Jul. 1, 2024)

■ Number of the Company's shares held (as of Mar. 31, 2024)

## Members of the Board

Chairman and Representative Director  
Chief Executive Officer (CEO)



**Kikuo Toyoda**

Number of the Company's shares held 91,224, Board of Directors meeting attendance in FY23 13/13

- Nov. 1973 Joined Daido Sanso Co., Ltd. (merged to the current AIR WATER INC. in Apr. 1993)
- Jul. 1999 Executive Officer and General Manager of Human Affairs, Daido Hoxan Inc. (now AIR WATER INC.)
- Jun. 2001 Executive Officer and General Manager of Welfare and Care at Medical Business Division, AIR WATER INC. ("Air Water")
- Jun. 2012 Managing Director and President of the Medical Company, Air Water
- Jun. 2019 Chairman & Representative Director and CEO, Air Water (current)

Member of the Board, Senior Managing Executive Officer  
In charge of Global Environment, Digital & Industry Group  
General Manager of Industrial Gases Business Unit




**Tsuyoshi Tanaka**

Number of the Company's shares held 13,314, Board of Directors meeting attendance in FY23 10/10

- Apr. 1991 Joined Daido Sanso Co., Ltd. (merged to the current AIR WATER INC. in Apr. 1993)
- Jul. 2011 Manager of Air Gas Business under Industrial Gas Business at Industrial Company, AIR WATER INC. ("Air Water")
- Jun. 2014 General Manager of Kinki Regional Office, Air Water; President and Representative Director, Kinki Air Water Inc.
- Apr. 2016 Executive Officer and General Manager of Industrial Gases Business at Industrial Company, Air Water
- Apr. 2021 Managing Executive Officer, Air Water; President and Representative Director, Air Water East Japan Inc.
- Jun. 2023 Corporate Director, Managing Executive Officer, in charge of Digital & Industry Group, and General Manager of Industrial Gases Business Unit, Air Water
- Jun. 2024 Member of the board, Senior Managing Executive Officer, in charge of Global Environment and Digital & Industry Group, and General Manager of Industrial Gases Business Unit, Air Water (current)

Member of the Board, Managing Executive Officer  
Representative of Tokyo  
In charge of Health & Safety Group, AW Kento & Business Incubation Project /  
General Manager of Medical Services Business Unit




**Hidetoshi Onoe**

Number of the Company's shares held 7,022, Board of Directors meeting attendance in FY23 10/10

- Nov. 1988 Joined KYOWA CO., LTD.
- Jul. 2007 Director and Vice President, Air Water Sol Inc.
- Jan. 2015 Executive Officer, AIR WATER INC. ("Air Water"); President and Representative Director, Air Water Sol Inc.
- Apr. 2022 Managing Executive Officer, General Manager of Consumer Health Business Unit in Health & Safety Group, Air Water
- Apr. 2023 Managing Executive Officer and in charge of Health & Safety Group, Air Water
- Jul. 2023 Corporate Director, Managing Executive Officer, Representative of Tokyo, in charge of Health & Safety Group, and General Manager of Consumer Health Business Unit, Air Water
- Jul. 2024 Member of the Board, Managing Executive Officer, Representative of Tokyo, in charge of Health & Safety Group and AW Kento Incubation Project, and General Manager of Medical Services Business Unit, Air Water (current)

Member of the Board, Outside Director  
Independent Officer




**Takao Matsui**

Number of the Company's shares held 269, Board of Directors meeting attendance in FY23 12/13

- Oct. 1982 Joined Asahi & Co. (now KPMG AZSA LLC)
- Jul. 2010 Partner, KPMG AZSA LLC
- Sept. 2014 Auditor, KPMG AZSA LLC
- Mar. 2019 External Auditor, Carina Biosciences, Inc.
- Mar. 2020 Outside Director, Audit and Supervisory Committee Member, Carina Biosciences, Inc. (current)
- Jun. 2020 Member of the Board, AIR WATER INC. (current)

President and Representative Director  
Chief Operating Officer (COO)




**Ryosuke Matsubayashi**

Number of the Company's shares held 26,894, Board of Directors meeting attendance in FY23 13/13

- Apr. 1988 Joined Daido Sanso Co., Ltd. (merged to the current AIR WATER INC. in Apr. 1993)
- Jun. 2014 Executive Officer and General Manager of Engineering Business Division at Industrial Company, AIR WATER INC. ("Air Water")
- Apr. 2017 Senior Executive Officer and General Manager of Engineering Supervisory Office, Air Water; President and Representative Director, AIR WATER PLANT & ENGINEERING INC.
- Jun. 2018 Corporate Director and in charge of Engineering Management Office, AIR WATER; Director and President, AIR WATER AMERICA INC.
- Jun. 2022 Representative Director, Executive Vice President, COO, and in charge of Global and Engineering, Air Water
- Apr. 2023 President & Representative Director and COO, Air Water (current)

Member of the Board, Senior Managing Executive Officer  
In charge of Gas manufacturing and Engineering, Global & Engineering Group  
General Manager of Engineering Center




**Shigeki Otsuka**

Number of the Company's shares held 4,382, Board of Directors meeting attendance in FY23 10/10

- Apr. 1984 Joined The Kansai Electric Power Co., Inc.
- May 2020 Advisor, AIR WATER SAFETY SERVICE INC.
- Jun. 2021 President and Representative Director, AIR WATER CRYOPLANT, LTD.
- Oct. 2022 Executive Officer, AIR WATER INC. ("Air Water"); President and Representative Director, AIR WATER ENGINEERING INC.
- Apr. 2023 Corporate Director, Managing Executive Officer, and in charge of Global and Engineering, Air Water
- Jun. 2024 Member of the Board, Senior Managing Executive Officer, in charge of Gas manufacturing and Engineering and Global & Engineering Group, and General Manager of Engineering Center, Air Water (current)

Member of the Board, Executive Officer  
In charge of Promotion of Women's Active Engagement,  
HR, and Corporate Communications & Investor Relations




**Kikue Inoue** New

Number of the Company's shares held 8,627

- Apr. 1979 Joined The Daiei, Inc.
- Aug. 2001 General Manager of Public Relations Division, IR and Public Relations Office, The Daiei, Inc.
- Aug. 2005 General Manager of Public Relations Department, STAFF SERVICE HOLDINGS CO., LTD.
- Apr. 2009 Executive Fellow, General Manager of Corporate Communication Department, FUJII SOFT INCORPORATED
- Oct. 2016 General Manager of Tokyo Public Relations Office, AIR WATER INC. ("Air Water")
- Apr. 2017 Executive Officer and General Manager of Tokyo Public Relations Office, Air Water
- Jun. 2019 Senior Executive Officer and General Manager of Public Relations & IR Dept., President's Office, Air Water
- Apr. 2022 Executive Officer, Head of the HR Strategy Office, Air Water
- Jun. 2024 Member of the Board, Executive Officer, in charge of Promotion of Women's Active Engagement, HR, and Corporate Communication & Investor Relations, Air Water (current)

Member of the Board, Outside Director  
Independent Officer




**Yoshihiro Senzai**

Number of the Company's shares held 7,000, Board of Directors meeting attendance in FY23 13/13

- Apr. 1971 Joined Hitachi Maxell, Ltd. (now Maxell Holdings, Ltd.)
- Jun. 2016 Chairman, Maxell Holdings, Ltd.
- Oct. 2017 Representative Director and Chairman, Maxell Holdings, Ltd.; Director and Chairman, Maxell, Ltd.
- Jun. 2021 Executive Advisor, KRI, Inc. (current)
- Sept. 2021 Outside Director, I-O DATA DEVICE, INC. (current)
- Apr. 2022 Visiting Professor, Kansai University (current)
- Jun. 2022 Member of the Board, AIR WATER INC. (current)
- Jun. 2024 Executive Adviser, ENAX, Inc. (current)

## Members of the Board

Member of the Board, Outside Director  
Independent Officer




**Yuko Haga** New

Number of the Company's shares held 0

- Apr. 1989 Senior Consultant, Strategy Consulting Group, Price Waterhouse Consultants Co., Ltd.
- Apr. 1991 Representative, Haga Management Consulting Office (current)
- Mar. 2019 Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (now Kyowa Kirin Co., Ltd.) (current)
- Apr. 2020 Professor, Graduate School of Management, Nagoya University of Commerce & Business (current)
- Jun. 2020 Outside Director, MinebeaMitsumi Inc. (current)
- Jun. 2024 Member of the Board, AIR WATER INC. (current)

## Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member




**Yuji Ando**

Number of the Company's shares held 11,555, Board of Directors meeting attendance in FY23 13/13 Audit & Supervisory Board meeting attendance in FY23 14/14

- Apr. 1971 Joined Hoxan Corporation (now AIR WATER INC.)
- Jun. 2001 Executive Officer and General Manager of the General Affairs Division at Corporate Solutions Center, AIR WATER INC. ("Air Water")
- Jul. 2008 General Manager of the Internal Auditing Office, Air Water
- Jun. 2016 Executive Officer of the Air Water Group; Representative Director & President, Gold-Pak Co., Ltd.
- Jun. 2020 Standing Audit & Supervisory Board Member, Air Water (current)

Outside Audit & Supervisory Board Member (Standing)  
Independent Officer




**Kenji Yamada** New

Number of the Company's shares held 0

- Apr. 1985 Joined The Sumitomo Trust and Banking Co., Ltd. (now Sumitomo Mitsui Trust Bank, Limited)
- Apr. 2014 Executive Officer and General Manager of Retail Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
- Oct. 2016 Executive Officer and Manager of Umeda Branch and Hankyu-Umeda Branch, Sumitomo Mitsui Trust Bank, Limited
- Apr. 2021 Chairman and Representative Director, SBI Sumishin Net Bank, Ltd.
- Jun. 2024 Standing Audit & Supervisory Board Member, AIR WATER INC. (current)

Outside Audit & Supervisory Board Member  
Independent Officer




**Nobuo Hayashi**

Number of the Company's shares held 2,653, Board of Directors meeting attendance in FY23 13/13 Audit & Supervisory Board meeting attendance in FY23 14/14

- Apr. 1988 Professor, School of Law, Senshu University
- Apr. 2001 Professor, Graduate School of Law, Kyoto University; Professor, Faculty of Law, Kyoto University
- Oct. 2012 Vice-President for Legal Affairs and Compliance, Kyoto University
- Jun. 2020 Audit & Supervisory Board Member, AIR WATER INC. (current)

Standing Audit & Supervisory Board Member




**Junko Shigefuji** New

Number of the Company's shares held 7,089

- Sept. 1986 Joined Hoxan Corporation (now AIR WATER INC.)
- Jun. 2018 Executive Officer and General Manager of Group Business Planning related, President's Office, AIR WATER INC. ("Air Water")
- Jan. 2021 Senior Executive Officer and General Manager of the Internal Auditing Office, Air Water
- Apr. 2022 Executive Officer, Director, General Manager of CSR Promotion Office Audit Group
- Jun. 2024 Standing Audit & Supervisory Board Member, Air Water (current)

Outside Audit & Supervisory Board Member  
Independent Officer



**Atsushi Hayashi**

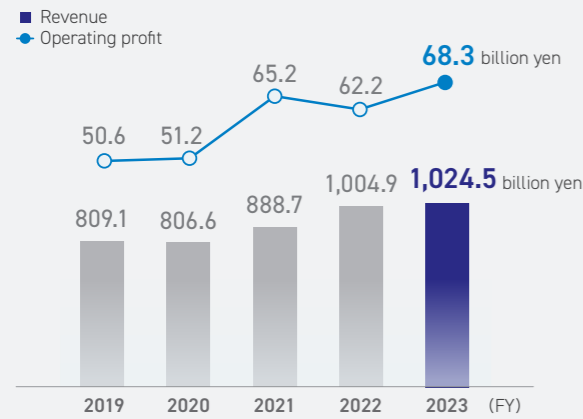
Number of the Company's shares held 2,876, Board of Directors meeting attendance in FY23 12/13 Audit & Supervisory Board meeting attendance in FY23 13/14

- Apr. 1980 Judge, Osaka Family Court
- Sept. 2004 Chief Judge, Kobe District Court
- Sept. 2008 Chief Justice, Takamatsu High Court
- Apr. 2010 Professor, Graduate School of Law, Kyoto University
- Jun. 2016 Audit & Supervisory Board Member, AIR WATER INC. (current)

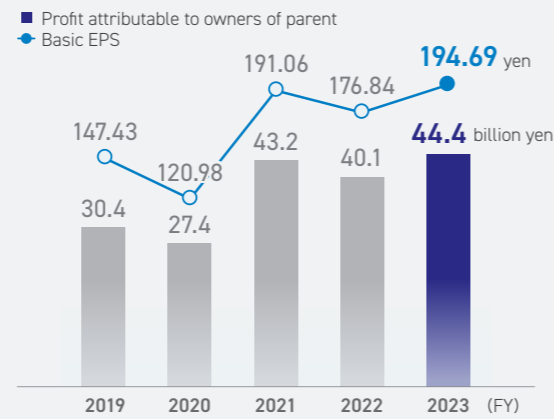
# Financial and Non-Financial Highlights

## Financial

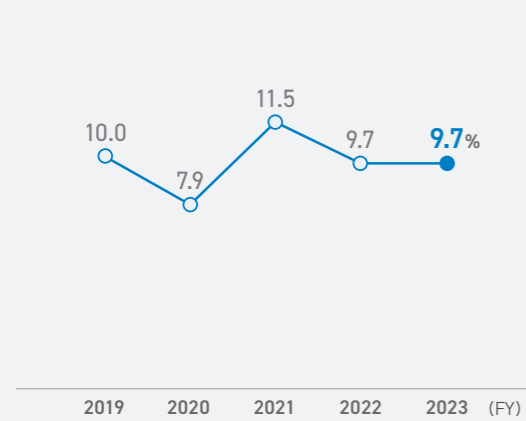
### Revenue Operating Profit



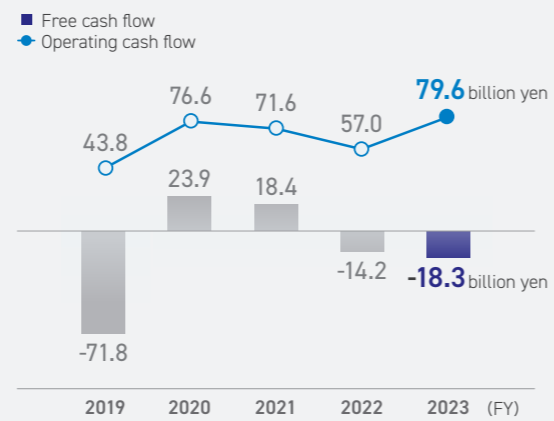
### Profit attributable to owners of parent Basic EPS



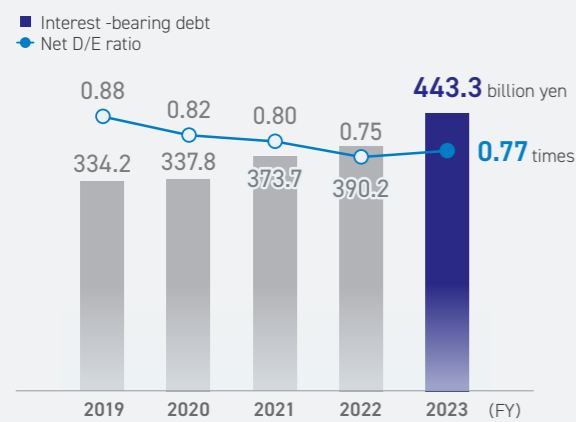
### ROE (profit margin attributable to owners of the parent)



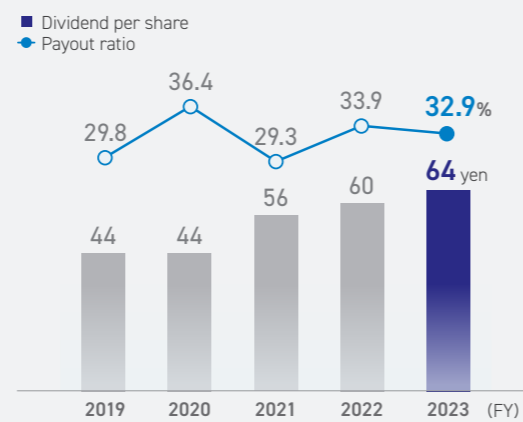
### Free cash flow Operating cash flow



### Interest-bearing debt Net D/E ratio

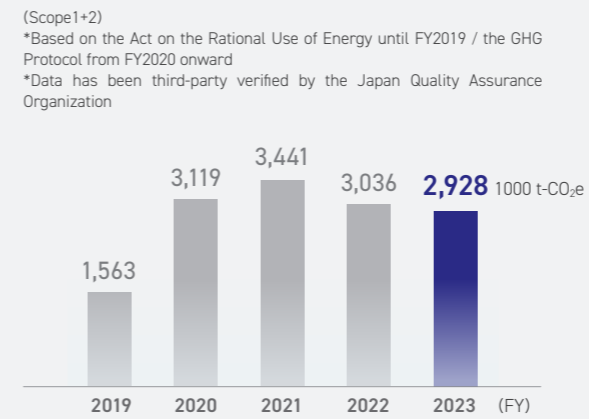


### Dividends per share Payout ratio

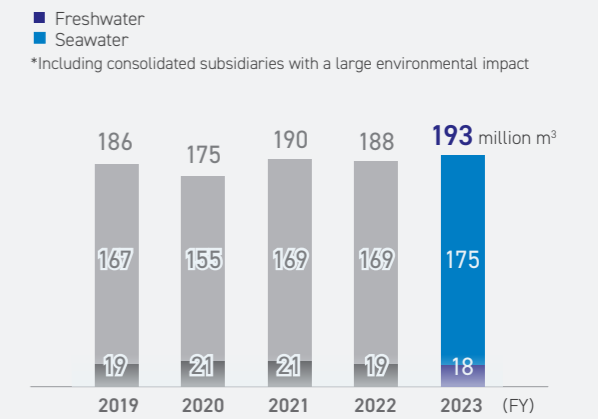


## Non-financial

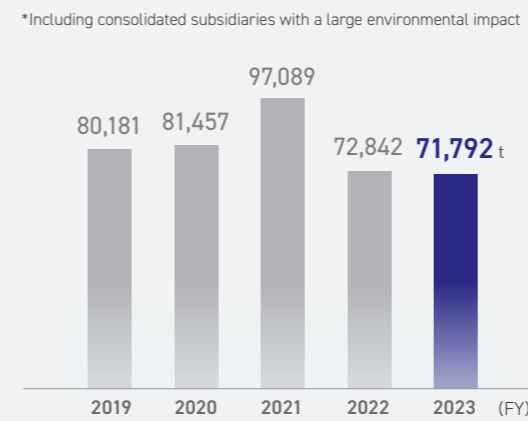
### Greenhouse gas (GHG) emissions



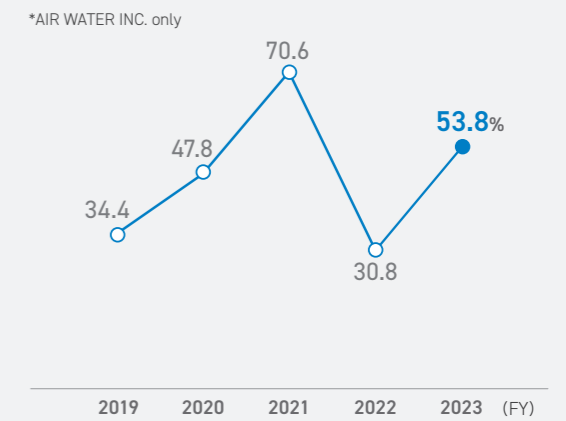
### Water consumption



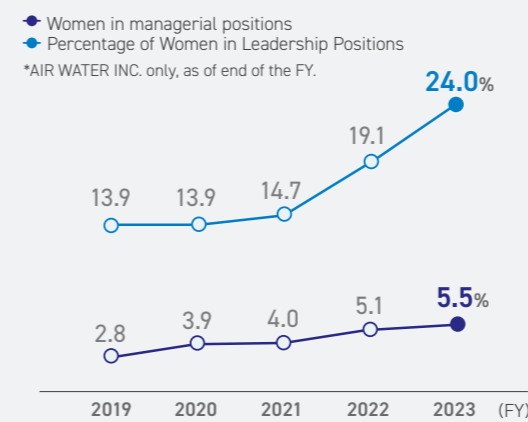
### Industrial waste emissions



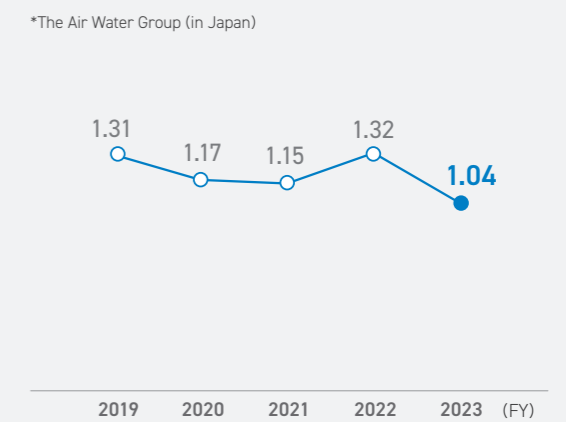
### Women in new graduate hires



### Women in supervisory positions



### Lost time injury frequency rate (while on duty)



## 10-Year Financial and Non-Financial Data

### Under JGAAP

(unit: million yen)

Fiscal year	2014	2015	2016	2017	2018
Net sales	660,541	660,622	670,536	753,559	801,493
Operating profit	36,126	39,524	41,341	42,398	43,580
Ordinary income	38,159	35,075	41,251	44,691	46,977
Net income attributable to shareholders of parent	20,702	20,139	22,337	25,173	26,468
Capital investment	32,028	42,236	40,587	61,309	78,526
Depreciation	25,222	26,620	25,524	27,119	27,620
Cash flows from operating activities	51,071	43,512	58,873	47,764	56,690
Cash flows from investing activities	(35,483)	(40,647)	(44,357)	(61,637)	(88,804)
Cash flows from financing activities	(7,940)	(8,115)	(8,553)	4,489	40,905
Free cash flow	15,587	2,864	14,516	(13,872)	(32,114)

### Fiscal year end

Total assets	547,642	575,832	629,115	693,101	783,047
Interest-bearing debt	154,864	157,795	172,403	203,183	263,165
Shareholder's equity	226,375	234,726	255,984	277,954	291,211

### Per-share data

EPS (yen)	105.75	102.73	114.53	128.95	135.34
BPS (yen)	1,155.80	1,196.92	1,312.55	1,422.60	1,487.58
DPS (yen)	28	28	34	38	40

### Major indicators

Ordinary income margin (%)	5.8	5.3	6.2	5.9	5.9
ROA (%)	7.1	6.2	6.8	6.8	6.4
ROE (%)	9.6	8.7	9.1	9.4	9.3
Equity ratio (%)	41.3	40.8	40.7	40.1	37.2
Net D/E ratio (x)	0.58	0.57	0.55	0.65	0.79
Dividend payout ratio (%)	26.5	27.3	29.7	29.5	29.6

### Non-financial information

Number of employees (consolidated)	10,147	11,334	12,580	14,265	15,757
Number of consolidated subsidiaries	81	85	101	111	130

### Under IFRS

(unit: million yen)

Fiscal year	2018	2019	2020	2021	2022	2023
Net sales	742,288	809,083	806,630	888,668	1,004,914	1,024,540
Operating profit	42,799	50,616	51,231	65,174	62,181	68,272
Profit before tax	42,111	49,830	49,651	64,230	60,978	66,712
Profit	30,139	33,526	30,410	46,263	42,649	46,135
Net income attributable to shareholders of parent	28,815	30,430	27,367	43,214	40,137	44,360
Capital investment	82,269	62,900	51,972	45,461	66,367	73,303
Depreciation	30,776	34,994	39,033	43,378	44,987	46,590
Cash flows from operating activities	61,212	43,784	76,601	71,572	56,953	79,625
Cash flows from investing activities	(91,615)	(115,597)	(52,699)	(53,154)	(71,135)	(97,966)
Cash flows from financing activities	39,045	80,981	(20,889)	(6,622)	19,257	14,723
Free cash flow	(30,403)	(71,813)	23,902	18,418	(14,182)	(18,341)

### Fiscal year end

Total assets	785,944	899,699	926,821	1,022,031	1,091,645	1,222,696
Interest-bearing debt	276,942	334,248	337,826	373,745	390,219	443,254
Equity attributable to owners of parent	278,053	331,992	357,797	395,131	430,232	488,557

### Per-share data

Basic EPS (yen)	147.33	147.43	120.98	191.06	176.84	194.69
DPS (yen)	40	44	44	56	60	64
Shares outstanding at the year end	198,705,057	229,755,057	229,755,057	229,755,057	229,755,057	229,755,057

### Major indicators

Operating profit margin (%)	5.8	6.3	6.4	7.3	6.2	6.7
ROA on a pretax basis (%)	5.7	5.9	5.4	6.6	5.8	5.8
ROE (%)	10.6	10.0	7.9	11.5	9.7	9.7
Equity attributable to owners of parent to total assets (%)	35.4	36.9	38.6	38.7	39.4	40.0
Net D/E ratio (x)	0.88	0.88	0.82	0.80	0.75	0.77
Dividend payout ratio (%)	27.1	29.8	36.4	29.3	33.9	32.9
Overseas revenue ratio (%)	5.0	6.9	8.6	8.6	9.3	10.9

### Non-financial information

Number of employees (consolidated)	15,825	18,211	18,843	19,560	20,109	20,348
Number of consolidated subsidiaries*	112	125	124	127	142	138

\*Only includes subsidiaries where AIR WATER INC. directly applies consolidated accounting and excludes indirect subsidiaries. The direct subsidiaries include joint operations (joint control business).

# Investor Relations

We explain our ideas in dialogues with analysts, institutional investors, individual investors, and other stakeholders. The valuable comments we receive are proactively fed back to the management to enhance corporate value.

## Major IR Activities

Track Record	FY2021	FY2022	FY2023
Private meetings with institutional investors	128	128	159
Earnings calls for analysts/institutional investors	4	4	4
Presentations on management policy/medium-term plan	1	1	0
Facilities tours	0	2	1
Brokerage conferences	4	4	4
Overseas roadshow	0	0	1
Events for individual investors	0	1	1

## Rating (As of Sept. 30, 2024)

Rating and Investment Information Inc. (R&I)	A+
Japan Credit Rating Agency, Ltd. (JCR)	AA-
ESG-related major rating information: MSCI ESG Ratings	A

## Major Selected Indices (As of Sept. 30, 2024)

TOPIX	iSTOXX MUTB Japan Proactive Leaders 200	Russell / Nomura Prime
JPX-Nikkei 400	MSCI Japan Empowering Women (Select)	MSCI Japan Empowering Women (WIN)
Nomura Enterprise Value Allocation	Nomura RAFI	S&P/JPX Carbon Efficient
Morningstar Japan ex-REIT Gender Diversity Tilt		
MSCI Japan ESG Select Leaders Index	MSCI Nihonkabu ESG Select Leaders Index	

## IR Website



For more extensive investor relations information, please visit our Investor Relations website.

<https://www.awi.co.jp/en/ir.html>

- Management Policies
- Stock Data
- Financial Data
- IR Library



## Corporate Profile

(As of Mar. 31, 2024)

Company Name	AIR WATER INC.	Paid-in Capital	¥55,855 million
Head Office	12-8 Minami-Semba 2-chome, Chuo-ku, Osaka, Japan	Number of Employees	20,348 (consolidated)
Established	Sept. 24, 1929	URL	<a href="https://www.awi.co.jp/en/">https://www.awi.co.jp/en/</a>

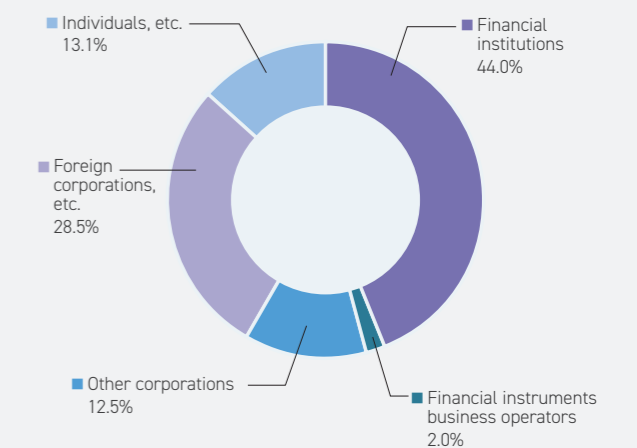
## Stock & Shareholder Information

(As of Mar. 31, 2024)

### Stock Information

Listed Exchanges	Tokyo, Sapporo
Securities Code	4088
Shareholder Registry Administrator	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Fiscal Year	From Apr. 1 to Mar. 31
Annual General Meeting of Shareholders	Held every June
Record Dates	Annual General Meeting of Shareholders: Every Mar. 31
	Year-end dividend: Every Mar. 31
	Interim dividend: Every Sept. 30
Authorized Shares	480,000,000
Outstanding Shares	229,755,057
Number of Shareholders	28,936

### Distribution of shares by owner



## Principal Shareholders

Name	Shares Held	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	29,194,300	12.74
Custody Bank of Japan, Ltd. (trust account)	13,756,600	6.01
Sumitomo Mitsui Trust Bank, Limited	7,936,000	3.46
Nippon Steel Corporation	6,900,000	3.01
Sumitomo Mitsui Banking Corporation	6,259,198	2.73
Air Water Customers' Stockholding	6,115,248	2.67
STATE STREET BANK AND TRUST COMPANY 505001	5,661,466	2.47
National Mutual Insurance Federation of Agricultural Cooperatives	4,951,500	2.16
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	4,851,600	2.12
North Pacific Bank, Ltd.	4,574,473	2.00



Meeting society's needs with nature's blessings.

 **AIR WATER**