

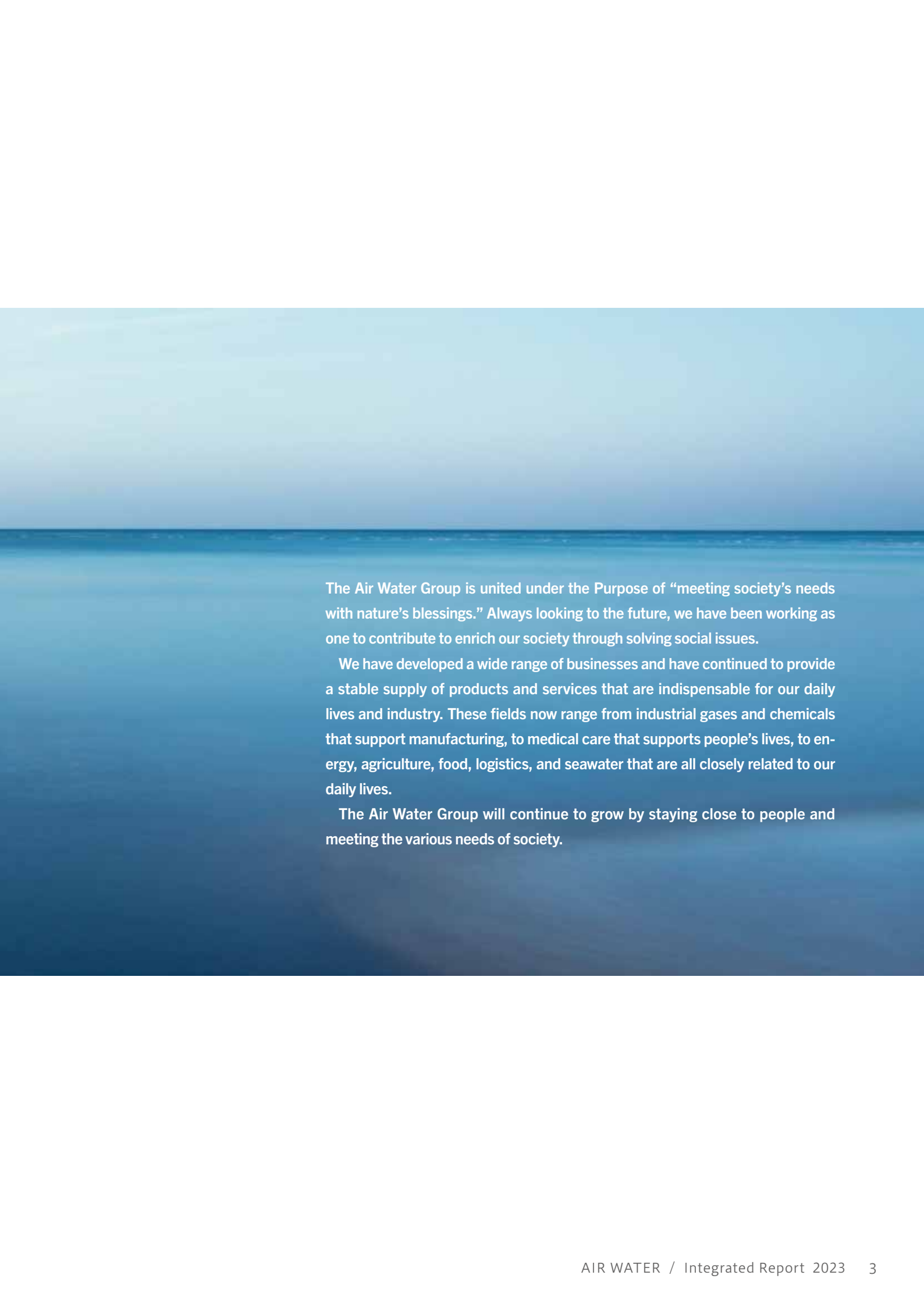


AIR WATER **Integrated Report 2023**

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.” Always looking to the future, we have been working as one to contribute to enrich our society through solving social issues.

We have developed a wide range of businesses and have continued to provide a stable supply of products and services that are indispensable for our daily lives and industry. These fields now range from industrial gases and chemicals that support manufacturing, to medical care that supports people’s lives, to energy, agriculture, food, logistics, and seawater 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.

OUR VISION

Creating new value through solving social issues

GLOBAL ENVIRONMENT

To confront global environmental issues

1

Global environmental issues such as global warming and increasing environmental burden have become major social issues worldwide.

Air Water leverages its business foundation based on industrial gasses and gained through the Digital & Industry and Energy Solution to address the issue. We have been developing innovative, future-oriented technologies, such as locally produced and locally consumed energy, new energy sources, and energy-saving materials.

To contribute to solving global environmental problems, we are engaged in business aimed at realizing a carbon-neutral society, a resource-recycling society, and a society in which people and nature coexist in harmony.

**Liquefied biomethane (LBM),
carbon-neutral energy
from livestock manure**

We established a localized supply chain where biogas derived from livestock manure is converted to liquefied biomethane and locally consumed. The LBM is used as fuel for ships, electricity and product materials for factories, and as rocket fuel. A demonstration project is underway to both achieve decarbonization and contribute to the local community.



**“ReCO₂ STATION,”
small-sized CO₂ recovery
and dry ice production equipment**

Our technologies of gas production cultivated over time and the unique adsorption have succeeded in separating and recovering CO₂ from low-concentration exhaust gas at a high efficiency. The equipment is also capable of producing dry ice from a carbon-recycling perspective.



**Shikaoi Hydrogen Farm,
a livestock manure-derived
hydrogen supply business**

The farm produces carbon-neutral hydrogen from biogas produced by methane fermentation at a livestock manure treatment facility in Shikaoi, Hokkaido. The hydrogen is sold for fuel cell vehicles at an adjacent hydrogen station, thereby creating a regional circulation model of energy supply.

Fruit & veg distribution and processing platform

We established a unique value chain that procures quality agricultural products mainly in Hokkaido, optimally processes them, and distributes them throughout Japan. Collaborating with fruit & veg intermediate wholesaler and retailer, Vegetech and Delica Foods Holdings, we are working together to promote local agriculture and reduce food losses.



Onshore aquaculture platform

We utilized not only oxygen, energy, and artificial seawater being essential to aquaculture, but remote monitoring, freshness preservation, and food analysis technologies. Altogether, we have developed an “onshore aquaculture platform” business that offers an integrated package from the design of aquaculture plants to the operation and maintenance.



“Remote exercise monitoring system” displayed at Air Water Kento.

Remote rehabilitation system

Our group Remohab Inc. is currently developing an online-managed cardiac rehab system to rehabilitate cardiac patients at home through remote monitoring. We are expanding the home healthcare business by entering the rehabilitation area through telecommunications technology.



Pulp regeneration therapy

Our group Aeras Bio Inc. became the first in the world to commercialize pulp regeneration therapy by dental pulp stem cell transplantation. Also established the “Aeras Bio Dental Pulp Stem Cell Bank” that allows dental pulp stem cells in your own unused teeth to be transplanted into your other teeth to regenerate the nerves.

Creating new value through solving social issues

WELLNESS

2

To bring wellness to our lives

With an aging population and the coming “100-year life era,” there is a need for more efficient medical care and a consistent supply of food to support health.

Air Water can provide medical technologies and services that protect healthy lifestyles and a stable supply of food. Through these efforts, we will contribute to solving social issues such as “extending healthy life expectancy” and “improving food self-sufficiency.”

We are engaged in business aimed at establishing communities where people can lead healthy and secure lives.

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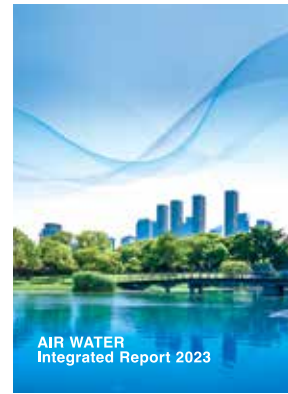
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About the cover

Since established, Air Water has been contributing to people's daily lives and industrial development through the earth's blessings of "air" and "water." The cover design, showing the two waves of air and water being harmonized in the city, expresses that Air Water is "indispensable" part of society.



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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.**

The Air Water Group's business originates from "air" and "water," as the company name implies.

By utilizing these irreplaceable global resources, we create business and contribute to society and our daily lives.

In a fast-changing business environment today, we will continue to leverage our Group's collective strengths to solve issues faced by our customers and society, and to take on challenges to create new value.

Code of Conduct

脚下照顧 (Kyakka Shoko)

Reflect on the past, identify your position, and prepare for the future.

It represents the importance of looking at where you are standing right now.

It also expresses the hope that you can start afresh by first looking back at yourself when encountering difficulties.

横議横行 (Ougi Oukou)

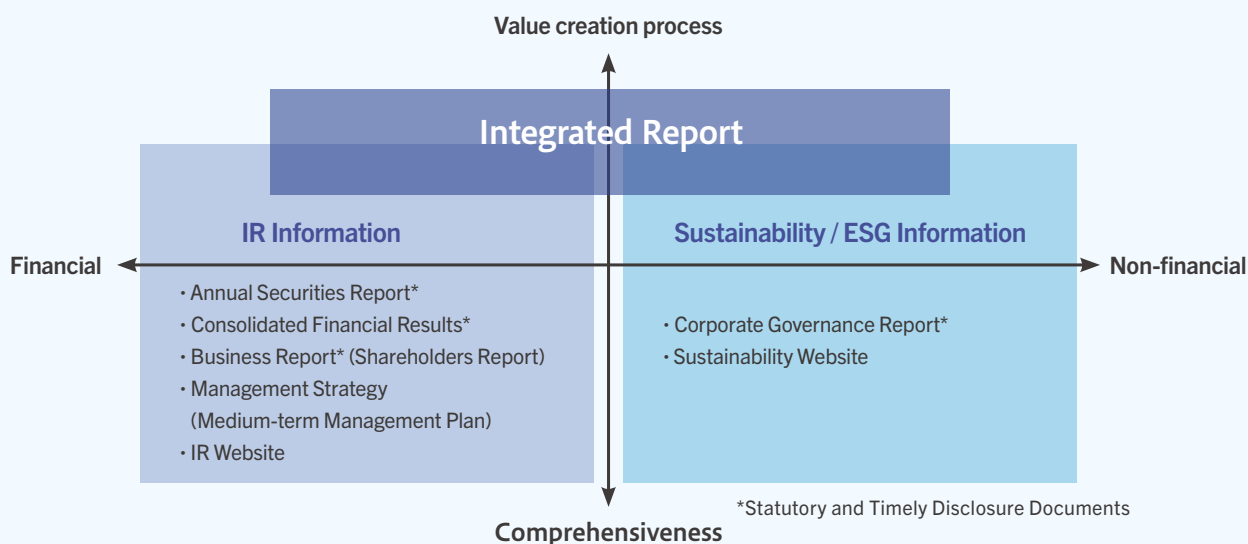
Discuss beyond organizational boundaries and act outside the box.

For our Group that has evolved by integrating various companies, it is an indispensable attitude to transform the diversity into strength and create new value.

Key Points of Integrated Report 2023

Air Water has established its vision for the year 2030 as “terrAWell30.” This describes our policy to maximize corporate value by balancing economic value and social value. Specifically, we will be aiming to “create new corporate value through the solution of social issues,” while leveraging our diverse businesses, human resources, and technologies in line with our two growth axes, “Global

Environment” and “Wellness.” The AIR WATER Integrated Report 2023 is intended to provide a better understanding of our business and vision by showcasing our business as we create value towards “terrAWell30”. The position of the Integrated Report among our information disclosure is as follows.



Editorial Policy

Issued

December 2023

Companies covered

AIR WATER INC. and the Air Water Group

Reporting period

April 1, 2022 - March 31, 2023

(Some topics after April 2023 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

Environmental data is third-party verified.

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).



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, the reader is cautioned not to place undue reliance on such information.

Website information

About Us

Japanese

<https://www.awi.co.jp/ja/index.html>

English

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

Investor Relations

Japanese

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

English

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

Sustainability

Japanese

<https://www.awi.co.jp/ja/sustainability.html>

English

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



**Creating new corporate value
through solving social issues
is the mission of our Group,
now as a trillion-yen company.**

Chairman and Representative Director
Chief Executive Officer (CEO)

Kikuo Toyoda

Kikuo Toyoda

Achieved revenue of 1 trillion yen

Air Water, which started in 2000 as a group of three companies with industrial gas as its business foundation, has been growing its comprehensive strength as a group through related diversification with industrial gas as its origin. In FY2022, we as a group have achieved the goal of 1-trillion-yen revenue, an important milestone for the company's growth stage.

Now that we have become a one-trillion-yen company, we feel more than ever the greater expectations of our stakeholders and society. At the same time, we are bracing ourselves to enter a stage where we must create value beyond that point. We will respond to their expectations and steer our management with an even greater emphasis on profitability and capital efficiency to further grow.

Our Group has advantages in diverse businesses, human resources, and technologies that it has cultivated on its path to becoming a trillion-yen company. We will maximize these strengths to achieve new growth that cannot be realized by existing businesses alone. We are turning global social issues into business opportunities while promoting partnerships and alliances with major companies, universities, and local governments, all of which can only be realized now with our increased presence.

To achieve sustainable growth in today's world where society and the economy are changing at an unprecedented speed, we are committed to manage our business with the utmost importance on increasing the social value we provide to the world by solving social issues, while constantly changing the form of our company and business.

We set our 2050 Sustainability Vision as "achieving a recycling-oriented society through coexistence with society and the earth." Under the long-term vision "terrAWell30" for 2030, which is a milestone of the 2050, we have started working to create new corporate value through the solution of social issues. I can already see a path for our Group to evolve under this vision. We will contribute to the less burden on the global environment and to the more healthy lives of people by leveraging our management base cultivated through our diverse businesses. While doing so, we can continue to be chosen by local communities, customers, employees, and shareholders, as well as meet their expectations through sustainable growth. I see the route for becoming such a presence.

In the following, I would like to discuss the path we are on, starting with (1) our Group's vision, (2) our growth policy, and (3) our challenges and solutions.

(1) Our vision Contributing to solving social issues through "Global Environment" and "Wellness."

Under the "terrAWell30," our Group has integrated its diverse business vectors into two growth axes, "Global Environment" and "Wellness," reflecting global social issues such as energy decarbonization, population growth, and the food crisis.

Global Environment

As carbon neutrality becomes a precondition for business activities in many countries and companies, decarbonization is an urgent and long-term challenge that cannot be avoided. The need for both a stable energy supply and decarbonization is increasing, as is the need for products to be green. Also, as we rapidly shift to a smart society with AI and IoT, there is a growing need to address DX and other digital technologies.

Wellness

As we enter the "100-year life era," extending healthy life expectancy and advancing preventive medicine have become important issues. As we face food insecurity issues due to the growing world population and heightened geopolitical risks, it is also essential to expand the agriculture and food industry.

These social issues are risks, but at the same time, can also be great business opportunities for our Group. We should identify the essence of such problems, provide solutions by leveraging our diverse businesses, human resources, and technologies, and pursue the social values. This is the theme of "terrAWell 30." In today's rapidly changing and uncertain society, we are confident that by pursuing the values leading to a sustainable future, we can inevitably create new economic values.

(2) Our growth policy Realizing “terrAWell30”

Our Group has established a position as a comprehensive industrial gas manufacturer in the first founding stage since 2000. And then, built a diversified “All-Weather” portfolio in the second founding stage since 2010. In the third founding stage, we achieved 1-trillion-yen revenue in FY2022 as the grand finale to our efforts to date. We are now looking to “creating new corporate value through solving social issues,” where we leverage synergies from our “diverse businesses, human resources, and technologies” gained through the preceding phases as well as “presence as a trillion-yen company.”

The “terrAWell30” is our long-term vision to face our own Materiality and promote sustainability management in the third founding period. Assuming that we cannot expect significant future growth from our existing businesses alone, especially within Japan, it sets forth three basic growth policies.

First, we will continue to restructure our existing businesses in Japan, including the integration and reorganization of group companies, while improving profitability through price management, optimal allocation of human resources, and DX to increase earning power.

Second, in addition to the engineering expertise we have developed to date in the domestic market, including the acquisition of large-scale gas plant technology, we will seek future growth overseas by taking advantage of the strategic alliance with MITSUI & CO. that was realized in 2022. For overseas expansion, we are currently accelerating the expansion of our industrial gas business with India and North America as key strategic areas. There we aim to establish a business platform for industrial gasses, and in the future, develop businesses that take advantage of our Group’s diverse businesses and technological capabilities in areas such as medical care, environment and energy, and food products.

Third, in order to respond to the changing times, we will create and explore new businesses that contribute to solving social issues in the region. Instead of relying on existing businesses, we will move forward based on innovation through technology and the social relationship capital we built with local governments, universities, and other entities in each region.

Going for that, the “terrAWell30” sets targets and indicators for economic values (profitability/business expansion/capital efficiency) and social values (non-financial indicators/target society) respectively to be achieved by FY2030. (For details, see

“Realizing‘terrAWell30’” on p.40-41.)

(3) Our challenges and solutions Creating a corporate culture that generates synergy and transformation

Our Group has the earnings base and strengths that can support growth for the foreseeable future. What I need to do now as CEO is to improve the “quality” of the organization so we can use the profits and cash generated to create new markets, develop them into businesses, and realize our vision of sustainability. Specifically, it means to transform our Group into an organization that (1) flexibly responds to change and continues to innovate, and (2) is capable of autonomously creating synergies through a combination of technologies, human resources, and businesses.

When I became CEO in 2019, our Group was only partially optimized with fixed businesses and human resources due to business expansion based on a Company System. I recognized that our greatest strengths of diverse businesses, human resources, and technologies were not being fully optimized as a whole, which was a key management issue. In order to resolve this issue and move from partial to total optimization, we have been working to build an organizational structure that provides a cross-organizational framework for functions essential to the Group’s growth, such as technology development, engineering, and gas products.

Introduced a Unit System to elevate group-wide management

In April 2022, we reorganized our diverse business fields into four groups (Digital & Industry, Energy Solutions, Health & Safety, and Agriculture & Foods) and introduced the Unit System. It shifted us to a new group management structure which integrates the headquarters organization of Air Water and the group companies. In May 2023, we also established a new Global & Engineering Group to promote and manage our overseas business development.

The Unit System aims to develop next-generation management personnel by selecting presidents of the group companies, each of whom plays the core role of respective business operations, as head of the business units, a key position in the main organization. Under the system, we identify talented personnel in our Group and also appoint those who are familiar with

“

We will create corporate value through truly integrated group management, total optimization of management resources, and investment in intangible assets.

”

the business to such positions to ensure there is no discrepancy between the overall strategy of the unit and the on-site sense of business promotion. In addition, the Unit System serves as a milestone in pursuing truly integrated group management, as it opens the way for the group employees to be promoted to managerial personnel and increases their motivation.

This is the main reason why we moved from the Company System to the Unit System. The Unit System allows us to flexibly change the relationship between each business and the group companies in response to changes in the environment, and also promotes the fluidity of human resources within the Group, thereby revitalizing the organization. Our group companies have been expanding their performance and largely contributed to the one-trillion-yen revenue, behind which there was the Unit System in place.

Going forward, we will evolve the Unit System to promote group management that integrates the organization of AIR WATER INC. and its 30 group companies that play a core role in each business domain. While maintaining the business characteristics of our diverse group companies, the corporate division at the headquarters will be taking the lead in standardizing common management functions of each group company, such as financing, investment, and governance, and further promoting the mobility of human resources. Simultaneously, we will develop the data infrastructure and reform the personnel system to realize these goals.

Emphasizing human capital investment, as people and business are inseparable

Our Group has focused on M&A and capital investments to date, but in this era of uncertainty ahead, we consider intangible asset investments are critical, such as intellectual property, human capital, and brand power.

As expectations for us have risen with our becoming a one-trillion-yen company, we are building a framework for new value creation structures, including open innovation that will contribute to solving social issues.

At the same time, we are promoting integrated group management to achieve “management that leverages human resources.” People and business are inextricably linked. Without

the growth of human resources, the growth of a company is not possible.

I believe that the most important part of developing people is to make them realize and to place them in roles with responsibilities as early as possible after having them gain experience in various departments. Taking on a position with more responsibility will change your view and broaden the scope of what you can do. In a place like our Group with diverse business operations, we need to think of the best combination of human resources to create and change the shape of our business. It has unlimited possibilities, just like art.

Our Group is currently revamping the personnel system to encourage employees to gain various experiences and raise their hands, as well as to ensure that their achievements are fairly rewarded. We believe that encouraging challenges and increasing the mobility of human resources within our Group will create synergies and foster a culture of self-initiated innovation.

“Beyond” the 1 trillion yen, we create a new era

Today, we are witnessing megatrends such as a smart society, a decarbonized society, a 100-year life span, and increasing food self-sufficiency. The future is more uncertain and changing than ever before. In such times, it is important to keep changing with an understanding of such megatrends, and not taking the “risk of change” would be a serious risk.

For now, our Group is making profits from its existing businesses. It is precisely at such times that we must break away from businesses that assume existing values and continued growth, dare to seek change, and create new businesses with the ability to earn even more revenue.

As a company that achieved a trillion-yen mark, what can we do to help solve social issues? We are determined to take a higher perspective, make better use of the assets we have today, and continue to take on the challenge of creating a new era.



As COO, my key role is to lead our growth strategy, including the extension into new growth areas.

President and Representative Director
Chief Operating Officer (COO)

Ryosuke Matsubayashi

As of April 1, 2023, I have been appointed President and Representative Director and COO (Chief Operating Officer) of AIR WATER INC. I am very proud to be leading the business execution at a time when the Air Water Group is entering a new stage of its history, having achieved 1-trillion-yen in group revenue as its goal set since 2010.

My role is to work with the CEO to develop and lead a growth strategy for 2030 and beyond, based on a policies of “expanding growth areas,” “creating new businesses,” and “strengthening profitability of our existing businesses.” I am willing to fulfill my responsibilities to the fullest to meet the expectations of our stakeholders.

History and growth strategy of our industrial gas business

Before discussing our business growth strategy, I need to explain our steps so far in the industrial gas business, where we started. The domestic industrial gas market peaked around 2010 and has since stagnated in line with the decline in crude steel production. Under such circumstances, we continue to achieve sustainable growth by adapting to changes in the business environment and users. The reasons for this sustainable growth include the development of technologies such as the high-purity nitrogen gas generator “V1” and gas total system, a business model based on these technologies, and a regional strategy based on the deployment of the small- and medium-sized liquefied gas plant “VSU”.

We developed the “V1” in 1980 and devised a total gas system that covers plant design and construction, gas production

and supply, and related backup and maintenance. Together, we created the de facto standard model for the supply of nitrogen gas to semiconductor plants. Since then, we have continued to improve our plants by utilizing data from the field as well as develop technologies to adapt to changing needs, such as higher efficiency and larger flow rates. Those efforts laid the foundation for our electronics business (ref. p.48), which is now one of our growth drivers.

In the past, industrial gas was produced in large concentrated volumes at industrial complexes in the Gulf Coast area and then transported to areas of demand for sale. However, we developed a decentralized supply chain by installing VSUs, small and medium sized liquefied gas plants, in the outskirts of those areas as demanded. It is expanding as an innovative community-based gas supply model that can contribute to the risk of decreasing on-site plant locations due to Japan's changing industrial structure and supply chain troubles caused by abnormal weather conditions.

Such competitiveness as our improving technologies and a community-based foundation have also helped expand our Group's business domains from industrial gases to medical care, food products, and other areas. We will leverage these strengths to further expand our growth areas and create new businesses moving forward.

To seek further growth areas and new businesses

Expanding growth areas

Currently, we are expanding our overseas business (especially in North America and India) and electronics business, both of which we have designated as priority growth areas.

In North America, we were a late entrant into a mature market where industrial gas majors hold approximately 85% of the market share. Therefore, we first established a basic business of cryogenic equipment, which is our area of expertise, with gas majors and dealers as our customers. At the same time, we have differentiated ourselves from the industrial gas majors by staying closer to the local gas dealers and users through a proposal which combines plant engineering and VSU models. Since 2022, we have acquired gas dealers in several regions and have also begun construction of an on-site plant in New York State, our first in-house manufacturing facility. In addition, entered the helium supply business, which covers the entire North American region. Going forward, we will continue to broaden our supply chain with the VSU model, as well as

commercialize hydrogen and CCU*, for which new demand is expected against the backdrop of decarbonization.

*stands for Carbon dioxide Capture and Utilization.

In India, we have earned trust through stable and safe operations with superior operation/maintenance technologies through large-scale M&As of steel on-site bases in the eastern and southern parts of the country, and have gained the third largest market share in the world's fastest growing market. In addition, we have received many new inquiries for steel onsite projects, and recently received an order from SAIL, India's government-owned steel company, to supply onsite gas to its Durgapur steel plant in the eastern India. The Group's engineering capabilities strongly support our strategy to become an industrial gas manufacturer with a strong presence in the global market, especially in terms of "quality," and contribute to the expansion of our growth areas. (ref. p.44)

In the Electronics business, we are currently constructing on-site plants for large-scale semiconductor factories for CMOS sensors, DRAM, NAND flash memory, and other products at several locations in Japan. In response to strong investment in new and additional semiconductor plants in Japan, we are expanding related businesses based on on-site gas supply. Concurrently, we will grow our business by developing products for the growing markets of semiconductors and the environmental field.

Creating new businesses

We are also proactively creating new businesses that start with solutions to social issues. At present, we are building a regional recycling-based clean energy supply chain in Hokkaido that utilizes biogas generated from livestock manure, and we are steadily producing results. This is exactly the kind of new business that only our Group, which has been dealing with local issues in Hokkaido, can offer.

Furthermore, as food security and food self-sufficiency become social issues, we are strengthening our "fruit and vegetable distribution and processing platform," which crosses the value chain from procurement, processing, and sales of fruits and vegetables with logistics capabilities that link production areas and consumption areas. In February 2023, a collaborative structure was formed with VEGETECH Co.,Ltd., and DELICA FOODS HOLDINGS Co., Ltd., trading companies specializing in fruits and vegetables. In October, Marushin Seika, a middle wholesaler in Fukuoka Prefecture, joined our Group, enhancing the stable supply system and developing new production areas to diversify risks.

Technology strategy for further growth areas and new businesses

To date, we have evolved in the industrial gas business by growing existing businesses, diversifying into related industries, and expanding overseas while developing its core/related technologies and conducting M&As. The acquisition of a wide variety of development personnel, technologies, and other resources through this process has been a major strength of our group.

In May 2023, we reformed our organization for the technology development structure. We have established a structure that accelerates the process from development to commercialization in all business areas. Also, the new “Gas Technology Development Center” is now in place. We are focusing on gas technology development as the base for all our businesses and a source of synergy.

In our overseas business, we launched the “Global & Engineering Group” to strengthen our engineering structure, an essential technical area for the industrial gas supply, and centralized the management function of the overseas business to enhance global governance.

We will continue to upgrade our diverse technologies and provide solutions to increasingly complex social issues with our combined technological development resources, thereby creating new social value.

To strengthen profitability

In existing businesses, mainly in Japan, we are pursuing several initiatives to further increase profitability. Existing businesses will become a solid earnings base if they are made more efficient and improved. Improving the profitability of existing businesses will be a prerequisite for allocating management resources to new businesses and growth areas. Therefore, we will review our current position in each business area, or what we call a full inspection of our business at first, then take measures for the higher profitability based on possible synergies to be generated in our Group.

Toward the integrated group management (ref. p.42), we will continue to reorganize our group companies. Through the business inspection, also ensure price management for rising costs. Further more, we will continue to take steps to strengthen the profitability of existing businesses from various angles, including reviewing low-profit projects, optimizing personnel allocation, improving the efficiency of logistics and procurement, and the nature of our business bases, to do strengthen the profitability of our existing businesses. Along with these to

enhance profitability, we also aim to improve capital efficiency by optimizing inventories and shortening the CCC (Cash Conversion Cycle).

Traditionally, the criteria for business valuation did not change from business to business, and business profit and loss was used as the main criterion for all the businesses. However, mature businesses and growing businesses should not be evaluated on the same scale. Going forward, we will consider each business individually and, if necessary, combine multiple indicators such as ROIC and other capital efficiency, market growth, and social contribution in a composite manner to establish evaluation indicators that match the characteristic of each business. Given that, we strive to strengthen the profitability and improve the productivity of each individual business. The goal of these initiatives is to raise the operating profit margin of the entire business to at least 10% by FY2030.

Disciplined capital investment and M&A

Continuous investment is essential as well to expand our growth areas. We are planning to make vigorous capital and M&A investments, mainly in the Overseas and Electronics.

In order to maintain sufficient financial security in case of prolonged stagnation in economic activity and to concentrate management resources in growth areas, we will make future M&A investments and capital expenditures even more carefully. As part of this effort, we will thoroughly examine ROIC and enhance our investment verification function.

In fact, we started reviewing the functions of the Investment Committee this year as well as verifying our previous investment projects. The previous Investment Committee focused on checking the profitability of investments, identifying risks, and supporting solutions. However, in the new Investment Committee, I, as the president, will make a decision on whether or not to make an investment based on an evaluation of the business potential of the project by the investment planning and the head office administration divisions. The decision process includes qualitative and quantitative assessments of consistency with the company’s overall strategy, synergies with existing businesses, the probability and execution structure of the business plan, geopolitical risks, exit strategies, and other factors. We then make the most appropriate choice for the future growth of our Group.

What is important in investing in a new business is the process and story of how to sprout the “seed” of the business, nurture it, and develop it into a successful business. We believe it is important to formulate a hypothesis of that story in the planning stage and execute it after logical verification. So, in verifying

new project investments, we will establish a process whereby the Investment Committee reviews the “seed” stage, followed by the verification process.

Financial discipline and capital efficiency indicators

While we plan an aggressive investment strategy, we will maintain a sound financial discipline. Specifically, we have set the target range for the ratio of equity attributable to owners of the parent (to total asset) at 36-40% and the target range of net D/E ratio at 0.8-1.0 times. In terms of capital efficiency, we have set company-wide targets for ROE (return on equity attributable to owners of the parent) and ROIC (return on invested capital). Now we aim to increase them from 9.7% ROE and 5.6% ROIC as of FY2022 to more than 12% and 8%, respectively.

Shareholder return

Our basic policy is to increase the return of profits to shareholders as one of the most important management issues, while strengthening our management base to constantly improve our corporate value, and to increase dividends by increasing our profits. Specifically, we aim for a dividend payout ratio of 30% or more as shareholder return and stable dividends that match our business performance. For FY2022, the year-end dividend was 28 yen plus a special dividend* of 4 yen per share. As a result, the annual dividend for FY2023 was 60 yen per share as a total of 28 yen for the interim, 28 yen for the year-end, and 4 yen for the special dividend, making a dividend payout ratio 33.9% on the consolidated basis. This represents a dividend increase of more than 2.5 times over the past 10 years.

*To commemorate 1-trillion-yen revenue, which had been a group-wide effort since 2010.

To realize a sustainable society

The most important premise of our Group’s business activities is “to be sustainable in terms of the global environment.” All of our Group’s businesses are based on the Sustainability Vision for 2050 and Purpose. We do our business with the vision to “achieve a recycling-oriented society through coexistence with society and the earth” and the Purpose of “meeting society’s needs with nature’s blessings.” Through our business activities, we aim to realize a recycling-oriented society, zero environmental impact, and the revitalized global environment. We keep moving forward to become a corporate group that continues to be chosen by local communities and customers, and that realizes the well-being of our employees.

In particular, we have reflected our response to climate



change in our business strategy as one of our Pillars to Success (Materiality). We are committed to carbon neutrality in terms of both our “responsibility” to reduce GHG emissions and our “contribution” to a decarbonized society through our products and business. As an example of how we are contributing to GHG reduction through our business, we are using gas control technologies, such as refining, separation, and storage, developed in our industrial gas business, to supply biogas, methane, hydrogen, and other gases, and to develop carbon neutral technologies that contribute to low carbon and decarbonization such as CO₂ capture and utilization. To reduce our GHG emissions, we are also prioritizing energy conservation activities such as low-carbonization of energy used in our production processes and investment in energy-saving equipment. We will also work to expand the use of renewable energy in stages and build a low-carbon logistics business.

Message to our stakeholders

The Air Water Group has a diverse range of businesses, human resources, and technologies. We have an “All-Weather” management base that is resilient to changes in the business environment, a foothold for further growth, and enough connections with local communities, customers, local governments, and business partners. I am convinced that if we can maximize the potential of these management resources, we can grow even higher and create more values.

In order to enhance our corporate value from both social and economic perspectives, and to grow our Group into an “essential” member of our society, I will fulfill my role by implementing our strategies, sometimes cautiously, sometimes boldly.

The Path to a Trillion-Yen Revenue

Achieved 6.4% CAGR in revenue and 9.9% CAGR in operating profit over 30 years, while improving ROE

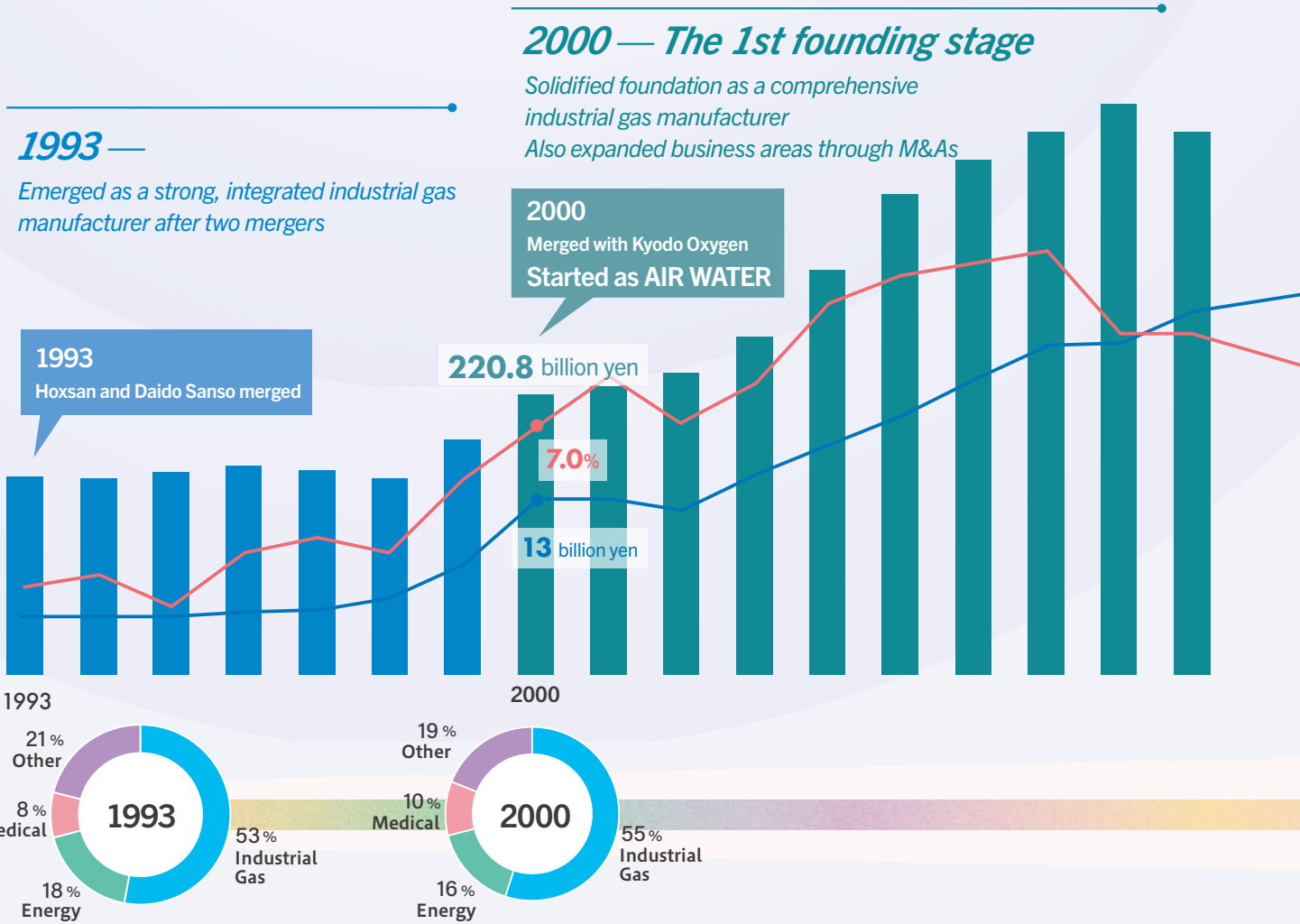
Air Water was originally started by three companies with different histories and cultures, Hoxan, Daido Sanso, and Kyodo Oxygen, who came together to contribute to industry and society through “air and water,” and then established through two mergers in 1993 and 2000. Then the company has achieved a trillion yen of revenue in FY2022. The cornerstone of this effort was the establishment of Daido Hoxan Inc. in 1993, which was followed by the diversification of the company’s business in addition to the expansion of its overall capabilities as an industrial gas manufacturer, which is its mainstay business.

After 2000, when Air Water was in the “first founding stage,” we established a solid foundation as an industrial gas manufacturer, while developing its business to diversify. After 2010, when it entered the “second founding stage,” we established an “All-Weather

Portfolio” that can realize stable growth under any environment. To this end, we expanded not only our “industrial businesses” such as industrial gas and energy, but also our “lifestyle businesses” such as medical care, agriculture and food, and seawater, while making full use of aggressive M&As.

Over the 30 years since Daido Hoxan was established in 1993, our CAGR (compound annual growth rate) has reached 6.4% for revenue and 9.9% for operating profit. ROE has also made a stable growth 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 diverse businesses, human resources, and technologies of our Group.



*Pie charts show the revenue composition by business segment.

2022 — The 3rd founding stage

Creating new corporate value by solving social issues

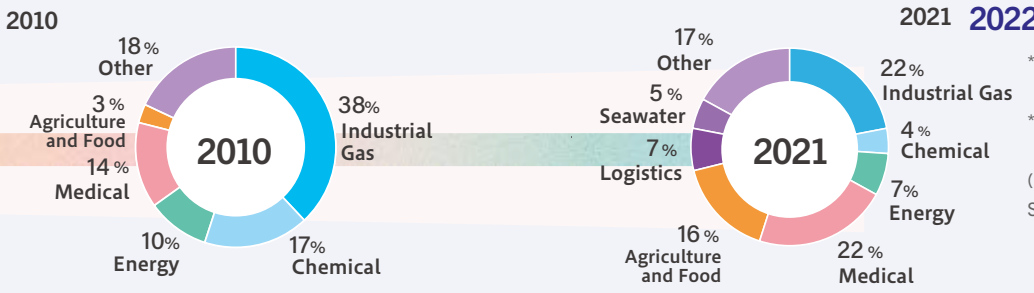
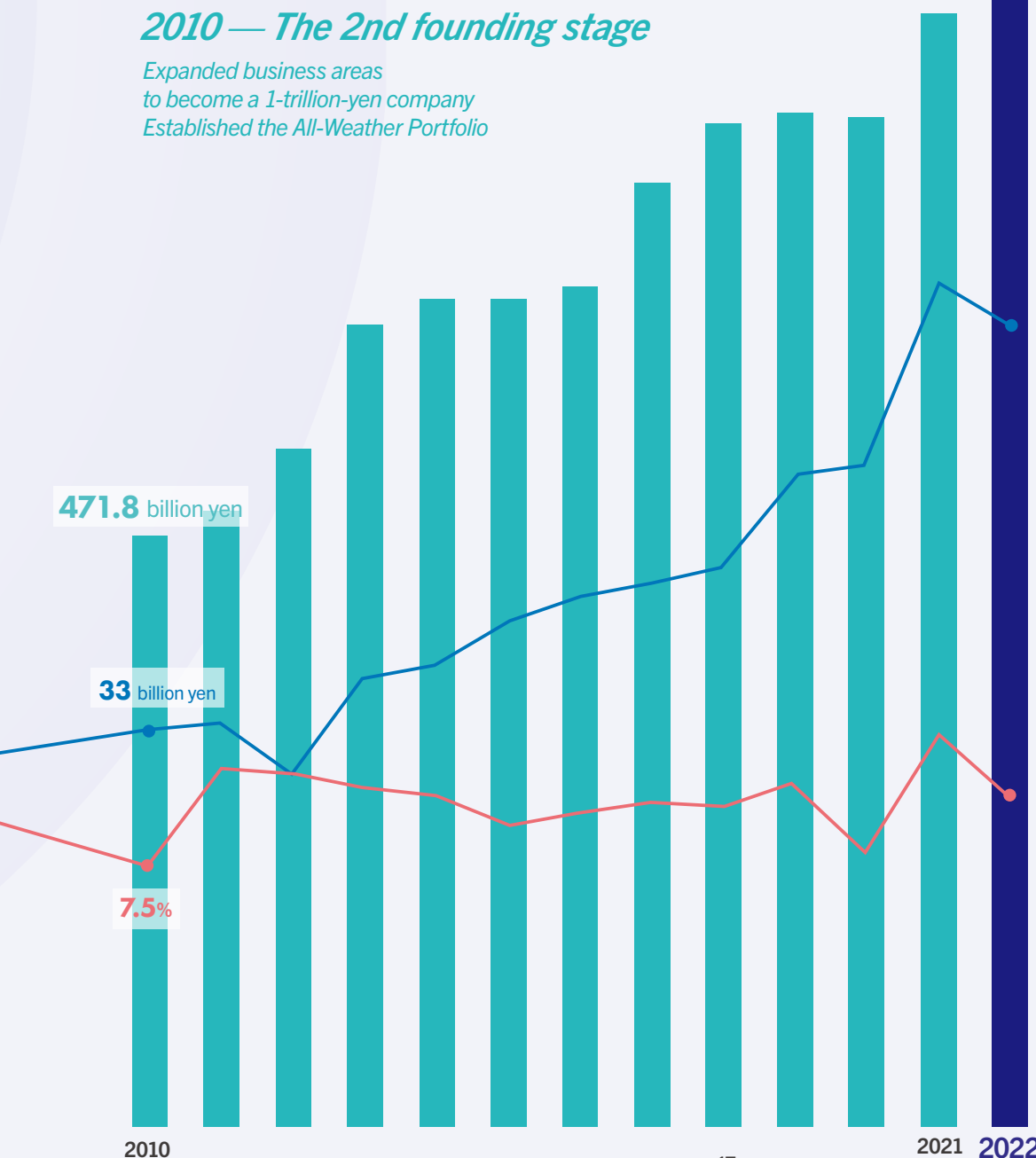
FY2022 Revenue*1
1.0049
trillion yen

FY2022 Operating profit*2
62.2
billion yen

FY2022 ROE
9.7%

2010 — The 2nd founding stage

Expanded business areas
to become a 1-trillion-yen company
Established the All-Weather Portfolio



*1 Net sales until FY2018 (Japanese Accounting Standards)
*2 Ordinary income until FY2018 (Japanese Accounting Standards) (International Financial Reporting Standards applied from FY2019)

Source of Value Creation in the Air Water Group



Origin of the logo

Air Water’s symbol is an oval with a width-to-height ratio of 10:9. This imitates the “shape of the Earth.” Although the Earth appears circular at first glance, it is actually slightly elliptical with an equatorial diameter of about 43 km larger. Also, the logo color, deep blue, represents water, which covers approximately 71% of the earth’s surface, so that the logo design represents the Earth itself.

Global Resources

Making full use of nature’s blessings for our business

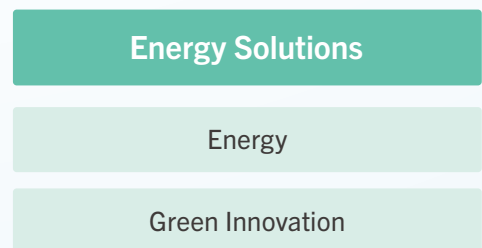
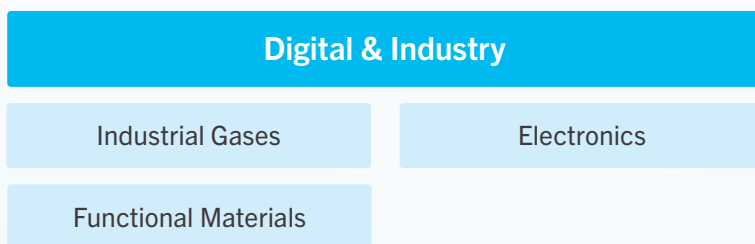


“Indispensable” products and services

GLOBAL RESOURCES

Delivering without ever running out

Business Areas



AIR WATER

Origin of the company name

Our business originated in the industrial gas business, which produces oxygen and nitrogen from air. Later, we also started to engage in the seawater business, extracting magnesia and other active ingredients from seawater. The Earth we live on is surrounded by two large natural spaces: the air and the oceans. The great natural environment of air and water has nurtured technology in all fields up to the present day. We have come to believe that the potential for our future business lies in air and water, at their interface, and where they coexist.

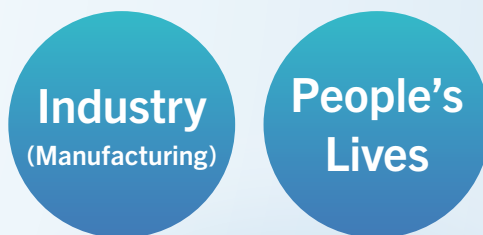
The company name “AIR WATER” embodies our philosophy of contributing to society and the environment, rooted in the irreplaceable resources of air and water for humans and nature.

Sustaining the global environment leads to sustainable growth

SOCIETY

Returning to nature after serving society

Developing businesses that benefit the society in wide areas, from manufacturing to people’s lives



Society

Health & Safety		Agriculture & Foods	Others
Medical Products	Consumer Health	Foods	Seawater
Medical Services	Safety Services	Natural Foods	Logistics
		Agriculture	Global & Engineering

AIR WATER's Value Creation History

The Air Water Group is characterized by a diverse business network, a solid business base across Japan that was cultivated through the industrial gas business of our origin, and the diversity of our technologies and human resources resulting from growth and development driven by M&A.

In this chapter, you will see how our Group has acquired these strengths one by one.

1929 —

The three former companies were born

A time when “oxygen users” started companies with a mission and developed their businesses.

They had no prominent founders, no inventions, and no profits to be made.

Air Water's predecessors were established to meet the needs of the times and have a history of overcoming adversity as late starters and growing healthily with a variety of people and creativity.

Hokkai Sanso 1929

(Renamed Hoxan 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.

Daido Sanso 1933



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.

Kyodo Oxygen 1962



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.

1950s

Daido Sanso

Liquefied oxygen plant into operation

Introduced technology to “liquefy” oxygen at cryogenic temperatures to meet the demand for mass production and transportation. Despite the large investment, made a bold decision to shift the technology and established itself as an industrial gas manufacturer.



Sakai Plant

Hoxan

Started energy business

Began selling LP gas for residential use, in the search for a new business in Hokkaido, where industrial demand was scarce. In 1963, released Japan's first Unit Bath product by Hoxan and further developed its business close to consumers.



LP gas sales by Hoxan

1960s

Hoxan

Started the industry's first on-site gas supply

While the heavy chemical industry was making great strides, the company attracted industry attention by providing a sole on-site gas supply to a steel mill in Hokkaido. During this time, Kyodo Oxygen was established, followed by Daido Oxygen's becoming the first on-site gas supplier to petrochemical plants.



Hoxan

Entered frozen food business

Started food business, using surplus liquid nitrogen generated during oxygen production to flash-freeze fresh agricultural and marine products from Hokkaido prefecture and sell them as frozen foods.



1980s

Daido Sanso

Developed nitrogen gas generator “V1”

As demand for high-purity nitrogen required for semiconductor manufacturing rapidly increases, established a Mini On-Site business to supply the gas by installing it inside the customer's plant. The “V1,” developed in-house, has increased sales volume as the optimal gas supply system for semiconductor factories.



Daido Sanso

Invested in seawater business

Made capital investment in Tateho Chemical Industries Co., Ltd. boasting the technology to extract and sinter magnesia from seawater and that to control crystals. This was the first M&A in Air Water's history.



Magnesia crystal

1993

Hoxan and Daido Sanso merged - Launched “Daido Hoxan,” pioneering a reorganization of the industry -

The merger of the two companies, whose primary business areas are Hokkaido and western Japan, expanded the business area to a nationwide scale. The acquisition of a combined business based on industrial gas from Hoxan was the starting point for the diversification.

2000

Daido Hoxan and Kyodo Oxygen merged - Created “AIR WATER” through two mergers -

The acquisition of the on-site gas supply business for steel mills, which is the upstream of industrial gas, has enabled vertical integration with the downstream, which was expertise of Daido Hoxan. This has enabled us to establish a business structure as an industrial gas manufacturer that can provide detailed services, from on-site supply as the basis to community-based cylinder supply.

2000s —

The 1st Founding Stage of AIR WATER

From manufacturing to services — the era when we solidified its position as an industrial gas manufacturer and laid the groundwork for diverse business development.

In response to the needs of the era that has shifted from mass consumption of gas to diversified usage of gas, we have acquired industrial gas-related businesses such as carbon dioxide gas, hydrogen, and gas plant production technology through M&As. Along with building a foundation for diversification, we further strengthened our community-based sales structure and oriented our solution services to solve customer issues.

Acquired carbon dioxide/hydrogen gas business

Obtained carbon dioxide and hydrogen supply businesses, respectively, and built our own production and sales network. This was a move that enhanced our comprehensive proposal capabilities as an industrial gas manufacturer.



Kawasaki Plant



Hydrogen Trailer

Attained air separation plant manufacturing technology

Established a joint venture with Kobe Steel, Ltd., a manufacturer of deep-cooled air separation plants. A full range of plant design and construction from small to large was enabled. This joint venture would later lead to an engineering structure essential for developing industrial gas business overseas.



Shinko Air Water Cryoplant

Installed VSU in areas with no gas supply

Developed our own plant “VSU,” which looked to install small, high-efficiency plants in the vicinity of demand areas to reduce distribution costs and supply liquefied gas at a low cost comparable to that of large plants. Starting with the installation of a VSU in Niigata in 2004, we have promoted cooperation with regional suppliers.



The first VSU, Niigata Ekisan

2000s

Began production of ham and sausage

Entered the ham and delicatessen business upon taking over Hayakita plant (in Hokkaido) from Snow Brand Food. It was the trigger for a leap forward in the frozen food business during the Hoxan's time.



Started chemical business

Launched coal chemicals business that operates inside a steel mill. This business was transferred to Nippon Steel Corporation in 2019, and we restructured our business around functional chemicals for semiconductors. That built the foundation of our current functional materials business.



Chemical products

Extended medical business

Entered the gas piping installation in hospitals by capital alliance with Kawasaki Safety Service Industries Co. The collaboration connected by gas was the beginning of the later expansion of the hospital business.



Expanded seawater business

Nihonkaisui, a salt manufacturer in Ako city, Hyogo Prefecture, joined our group. Established the seawater business together with Tateho Chemical Industries Co., Ltd. which manufactures magnesia products from bittern.



Saltworks of Nihonkaisui Co.

2010s —

The 2nd Founding Stage of AIR WATER

Toward 1 trillion-yen revenue — the era we made successful mergers and acquisitions through diversification, leading to a diversified “All-Weather” portfolio.

Amid the stagnation of the domestic manufacturing industry due to the Lehman Shock, the Great East Japan Earthquake, and the strong yen, we steadily developed its industrial gas supply network while expanding our lifestyle-related business areas such as medical care, agriculture, and food through M&As. We have built a business portfolio that can achieve stable growth in any economic environment, and at the same time, laid the groundwork for future overseas expansion.

Expanded our gas supply network

Decentralizing our manufacturing sites through VSU deployment also contributed to BCP in the event of a disaster. As of 2023, we have established 22 bases throughout Japan and have built a solid structure for our domestic industrial gas supply business.



The 22nd VSU, Chiba Ekisan

Extended the electronics field

We have shifted our chemicals business to a business structure centered on functional chemicals. In parallel, we have expanded our product lineup for semiconductors, including gas purifiers, thermal control equipment, and precision polishing pads.



Gas purifiers

Built a foothold for overseas

In 2013, we acquired a local industrial gas company in India, and in 2014, we started a gas supply business in Vietnam. In 2019, we acquired onsite operations in eastern and southern India and began full-scale business development.



Jamshedpur, India



Carbon dioxide lorry

Furthermore, in 2015 and 2018, we grouped cryogenic equipment manufacturing companies in Malaysia and the United States, respectively. These marked the beginning of our overseas expansion based on engineering technology.

2022 —

Toward achieving “terrAWell30”

The 3rd Founding Stage

Achieved 1 trillion-yen revenue

After the pandemic, the group revenue achieved a trillion yen in FY2022. We are integrating the directions of our diverse businesses into a new growth axis, “Global Environment” and “Wellness,” to solve social issues through our business activities and achieve sustainable growth.

2010s

Enhanced our lifestyle-related products and services

Through M&As, we have expanded hygiene materials, home health care, and dental fields in medical area, as well as beverage and sweets in agriculture & foods area.

Health & Safety

- Advanced into operating room and ICU facility construction
- Entered the dental materials business
- Expanded home healthcare business
- Grouped Kawamoto Corporation for sanitary materials
- Capital participation in Ci Medical Co.,Ltd.
- Expanded injection needle business



Agriculture & Foods

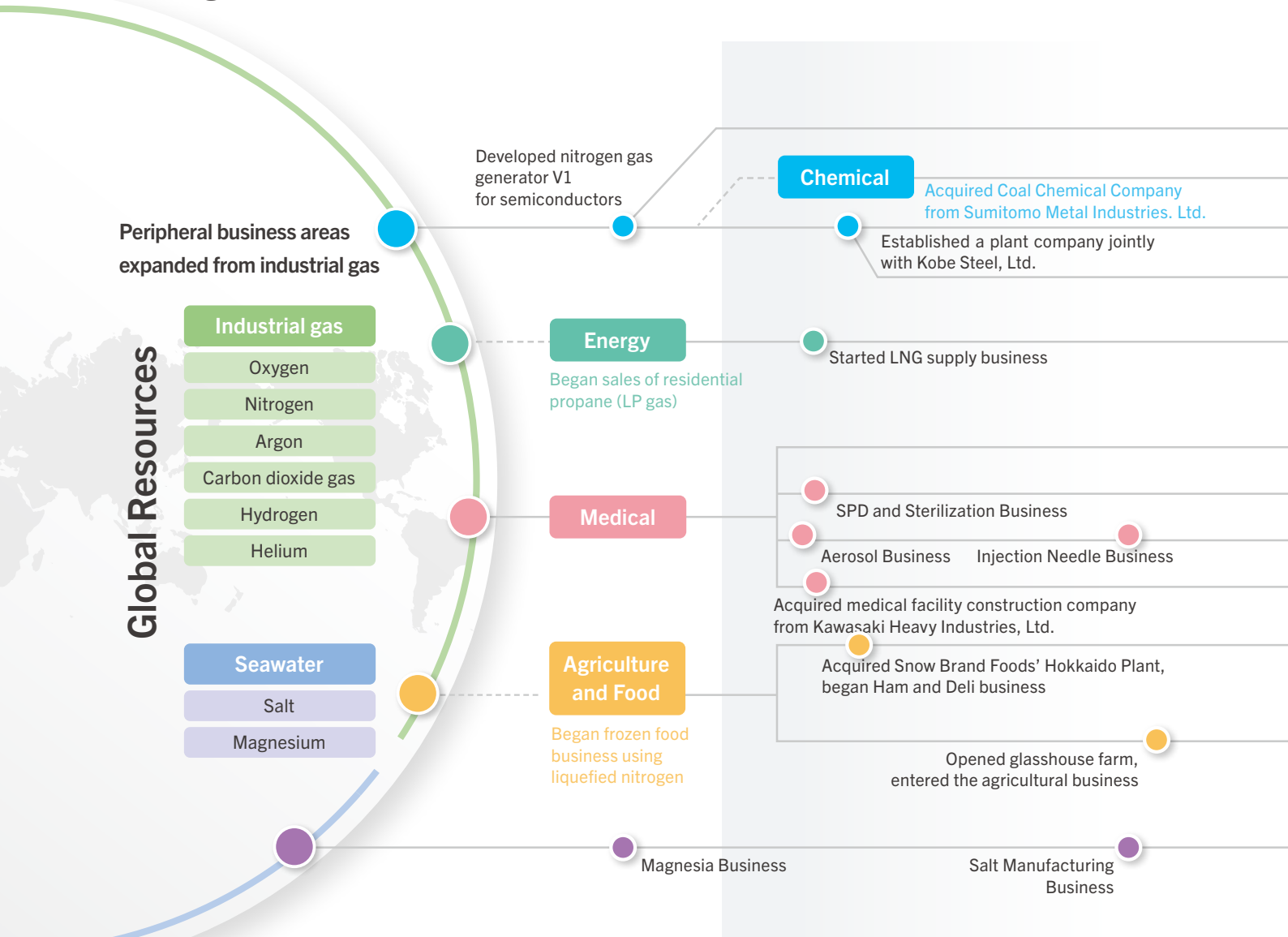
- Opened a 7-hectare solar-powered glasshouse plant in Chitose, a full-fledged entry to the agriculture and foods business
- Entered the processing/distribution business of Hokkaido agricultural products
- Began contract manufacturing of fruit- and vegetable-based beverages
- Entered fruit and vegetable retail
- Started sweets manufacturing business



2022

The Driving Force for Value Creation

Expansion of Business and Diversity of Human Resources through M&As



Cumulative number of M&A companies since 2000



Number of group companies **276**

We have created synergies with existing businesses by capturing non-core areas and other areas of major companies at low cost and low risk. We promote structural reforms such as bold capital investments and integration/regeneration to further refine our competitiveness.

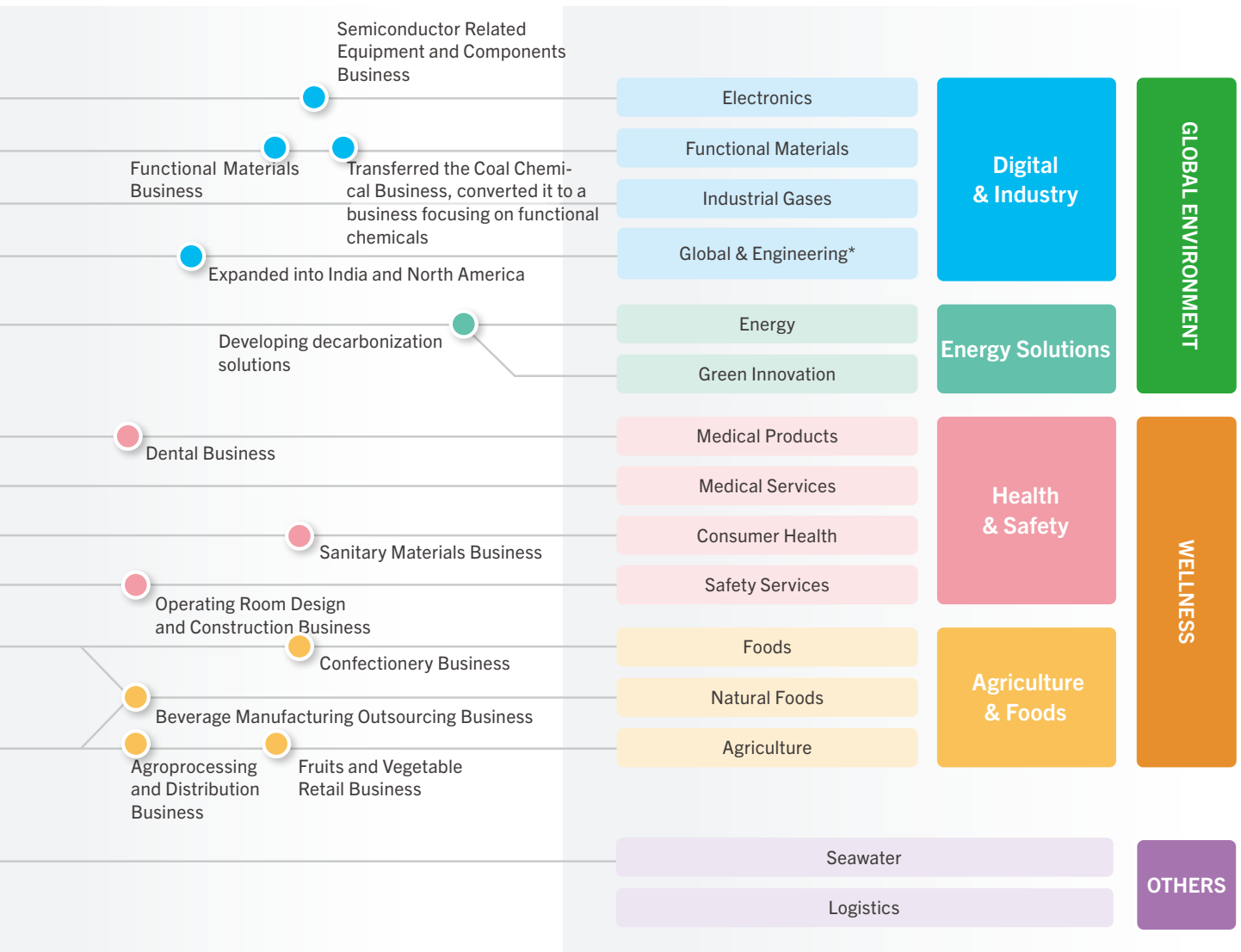
An organizational culture integrating various cultures and values is fostered

Number of group employees	20,109	Number of overseas employees	3,126
Group R&D personnel	387 members	Engineering human resources	330 members

(As of the end of March 2023)

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

M&A of AIR WATER is not just “add up.” It has pursued 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.

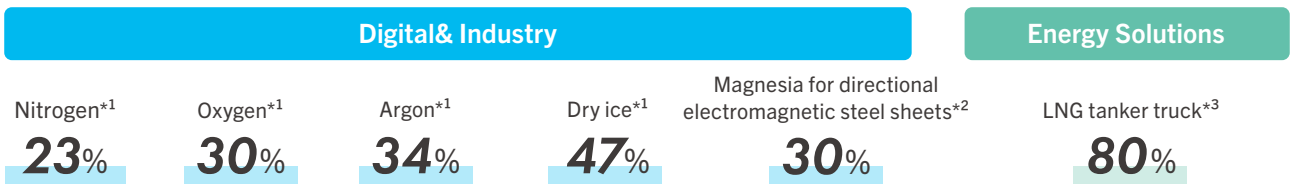


*Transferred into Other Businesses from 2023

Maintain high market share in diverse business areas

*1 Source: “Gas Diorama 2023,” Gas Review, Inc.
 *2 In-house research (global shares)
 *3 In-house research
 *4 Source: “Gas Medicina 2023,” Gas Review, Inc.

GLOBAL ENVIRONMENT



WELLNESS



Regional Strategy

**Creating value in a way only possible
with our community-based business base
Connecting customers and the Air Water Group to build a business**

The origin and significance of the strategy

Regional strategy is our core strategy that has been supporting domestic industries and local communities. Unlike other manufacturers, Air Water has been committed to “direct sales” since the days of our predecessors, selling the gas we produce directly to our customers. Such orientation laid the foundation for the integrated production and sales system that continues to this day.

The industrial gas business is an equipment industry based on common air. In addition to the difficulty of differentiating the product in terms of quality, the transportation of the product is very costly. This enables a business model in which a manufacturing base is located close to the consumption area to create a commercial zone. In the past, the gas was usually produced in large

volumes at low cost at large plants located along the Pacific coast, where steel mills and chemical plants are clustered, and the gas was transported by tanker truck across the country.

However, we have recognized changes in the domestic industrial structure, such as the emergence of the semiconductor industry located inland and the contraction of the heavy industry. Since 2000, we have deployed our highly efficient compact “VSU” plants in 22 locations in Japan, where there were previously no manufacturing bases. Thus, we have established a locally produced and consumed model of gas supply for the entire Japanese market. Each of the newly based regions has deepened its partnerships with local companies and municipalities, making it a place to explore new growth drivers.

1929

Started from localized small lot sales

Our starting point - the two predecessor companies without large gas production facilities began downstream small-lot sales, such as cylinder gas.

1976

Reinforced “Regional Strategy” structure

Established a company dedicated to downstream distribution, which is the origin of our regional operating companies now, and strengthened in-house integrated system from manufacturing to supply.

1995

Promoted strategic “federated and partnering” management

Established sales companies (regional operating companies) in each region. Simultaneously promoted “federated” management that boosts the downstream areas and “partnering” management that emphasizes collaboration with other companies.

2010

Moved branch functions into eight regional operating companies

To make the regional business a core pillar of our growth, we have reorganized regional operating companies specializing in sales into eight companies in eight blocks across Japan, and Air Water’s branch functions were integrated into each company.

1954

Started sales of liquefied oxygen and LP gas

In Osaka, we sold liquefied oxygen directly without distributors. In Hokkaido, we launched the LP gas business for households, and expanded the service bases.

1993

Strengthened sales network through two mergers

Expanded sales base network from business areas centered on Hokkaido and western Japan to all over Japan.

2004

Enabled locally produced & consumed gas supply by VSU

Developed new bases in cooperation with leading industrial gas suppliers in each region to maintain/increase market share through areal expansion.

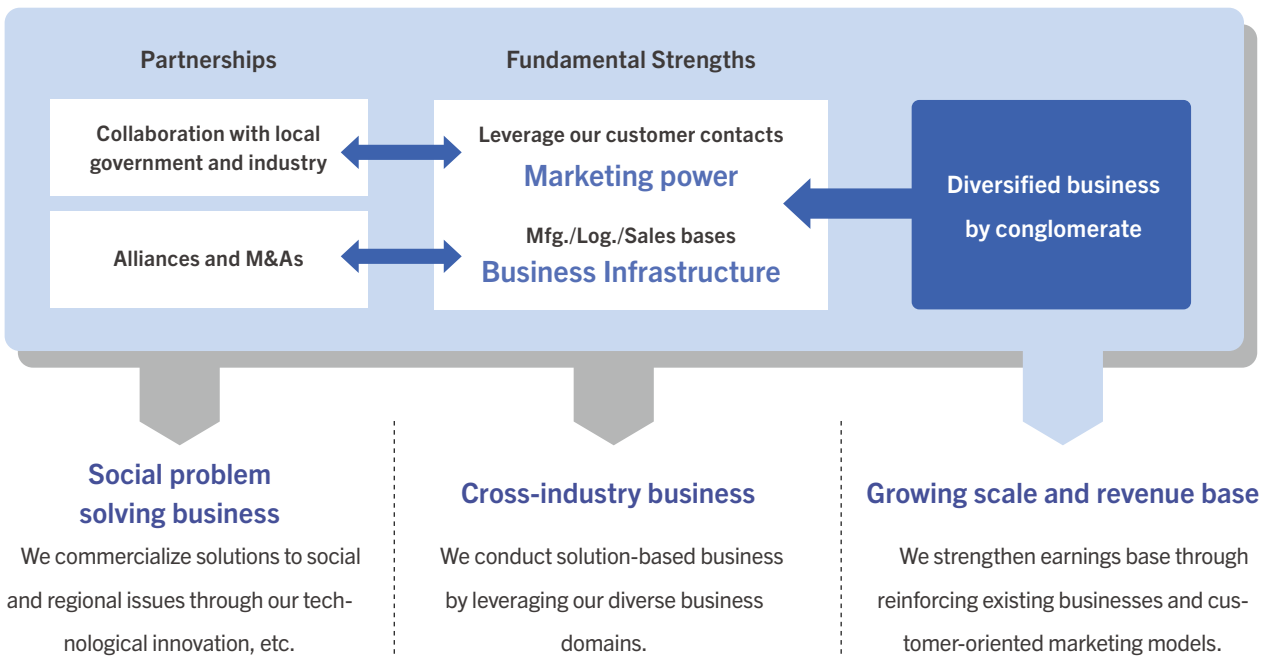
2020

Launched the three new regional companies

Consolidated the eight regional operating companies into three (Hokkaido, East Japan, and West Japan) in order to achieve a corporate scale that can grow on its own with each region.

Regional business companies

Increase presence in the region and play a leading role to grow business in Japan.



Social capital of the regional companies



Agreement with Kumamoto Prefecture (Governor Kabashima) to locate a business

We are planning to build a complex business base in the electronics field in Kumamoto Pref., where large-scale factories of semiconductor device manufacturers are being built. While continuing to focus on industrial gas, we will build our cryogenic logistics base for agricultural products in Kumamoto, one of the leading vegetable producing areas in Japan, with a view to improving transportation efficiency to the Tokyo metropolitan/Kansai areas. We are creating new businesses based on regional characteristics.

AW Hokkaido
102.8 billion yen*

We established the "Hometown Support H Program" to support all municipalities in Hokkaido, as a company nurtured by Hokkaido and oriented to new growth there. We will donate a total of one billion yen to this program by 2030 and support initiatives to solve their local challenges. Also, we plan to build an open innovation promotion facility to support the region through our business activities.

AW West Japan
77.5 billion yen*

AW East Japan
86.5 billion yen*



Press Conference with Hokkaido Prefecture (Governor Suzuki)

*Revenue (actual) in FY2022

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, this group offers a wide variety of products and services that support the entire value chain for the semiconductor manufacturing industry.

Industrial Gases



Industrial gases (For on-site / tank trucks / cylinders)



Gas application



Hydrogen

Electronics



On-site gas supply



Special chemical materials



Gas purifier



Information electronic materials

Functional Materials



Quinone products



Electronic materials



Polishing pads



Magnesia

Energy Solutions

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

Energy



LP gas / Kerosene



LNG



LNG transport equipment



Energy-related equipment



LP gas mobile power supply vehicle

Green Innovation



Biomethane



ReCO₂ STATION

OTHERS

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

Global & Engineering



Industrial gas (India, SE Asia)



Industrial gas (North America)



Engineering



High-power UPS

Seawater



Salt



Environment



Nori (seaweed) & Furikake (rice seasoning)



Artificial seawater

WELLNESS

▶ Health & Safety

Besides gases indispensable to the medical field, this group offers a wide variety of products and services such as equipment installation, SPD, and sanitary materials. It also contributes to safety and security in the safety services field.

Medical Products



Medical gas



Medical equipment



Home healthcare



Dental

Medical Services



SPD (logistics management of medical products)



Sterilization



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



Gas fire extinguishing equipment

Consumer Health



Injection needles



Sanitary materials



Aerosol



Cosmetics

▶ Agriculture & Foods

Having expanded from frozen food to the following areas, we offer a wide lineup from commercial to retail.

Foods



Ham & sausage



Frozen food



Agroprocessing



Sweets



Beverages

Natural Foods

Agriculture



Vegetable farming



Fruit and vegetable wholesale



Agricultural machinery



Fruit and vegetable retail

Logistics



High-pressure gas transport



General cargo transport



Cryogenic logistics center



Food logistics



Medical & environmental logistics



Vehicle modifications

Electric power



Wood biomass power generation

Value Creation Process

Our Purpose

Meeting society's needs with nature's blessings

Management resources

 Diverse business domains, High market share products and services

 Diverse organizations and human resources of the Group

 Technology and intellectual property

 Community-based business platform

Megatrends

Decarbonized society

Smart society

Extension of healthy life expectancy, 100-year life era

Improvement of the food self sufficiency, Reduction of food loss

Expanding Growth Areas

Global Environment

Energy Solutions

Digital & Industry

Diverse Business Areas

Diverse Human Resources

Creating synergies

Diverse Technologies

Agriculture & Foods

Health & Safety

Wellness

Creating New Businesses

In line with the Air Water Group's Purpose, "Meeting society's needs with nature's blessings," we have integrated the growth vectors of our diverse business domains into the two axes, "Global Environment" and "Wellness" that can reflect global social issues. We will create new corporate value through the solution of social problems and realize the Sustainability Vision of "achieving a recycling-oriented society through coexistence with society and the earth." We aim to achieve it by creating synergies among our diverse businesses, human resources, and technologies, which are the greatest strengths of our Group.

2030 >> 2050

Materiality

terrAWell30

"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.

Sustainability Vision

Realizing resource recycling

Restraining environmental impact substances

Response to climate change

Coexistence and co-prosperity with local communities

Wellness (Healthy living)

Ensuring the well-being of employees

Reinforcing Group governance

Economic Value
Social Value

Solving Social Issues

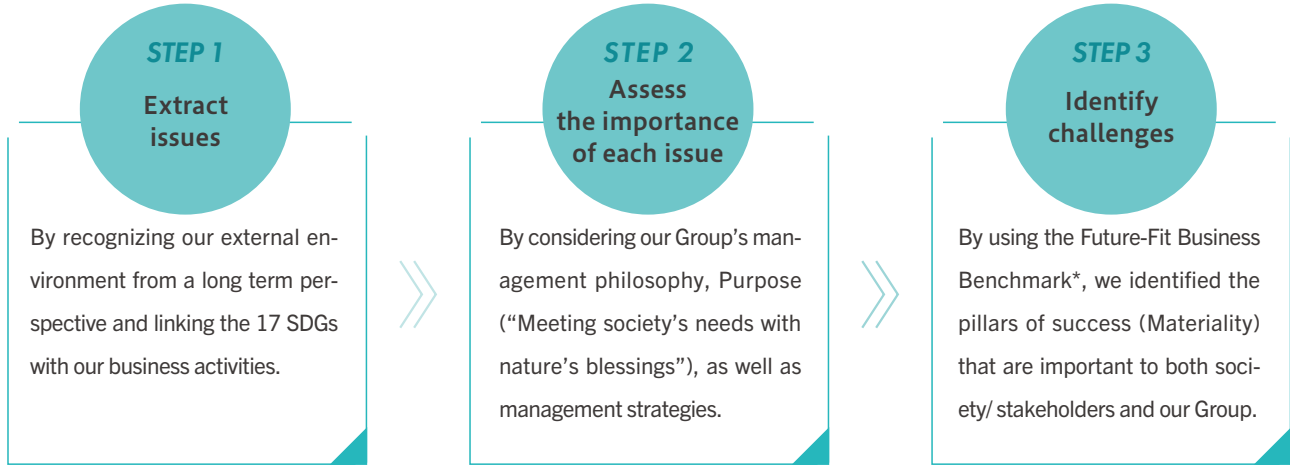
To achieve a recycling-oriented society through coexistence with society and the earth

- Will respond to changes in the global environment and society and provide economic and social value in a sustainable manner.
- Will realize a resource-recycling society, zero environmental impact, and global environmental revitalization through our corporate activities.
- Will continue to be selected by our local communities/customers and ensure the well-being* of our employees.

*Well-being is the state of being physically, mentally, and socially comfortable. In addition to being happy, it represents a condition in which employees live with a sense of purpose through a range of different workstyles and platforms to succeed.

Process to Identify the Pillars to Success (Materiality)

We have identified Materiality by considering their importance in building a sustainable society and business in terms of enhancing corporate value. The process includes consideration of the social and business environment, relevant risks and opportunities, and stakeholder relationships.



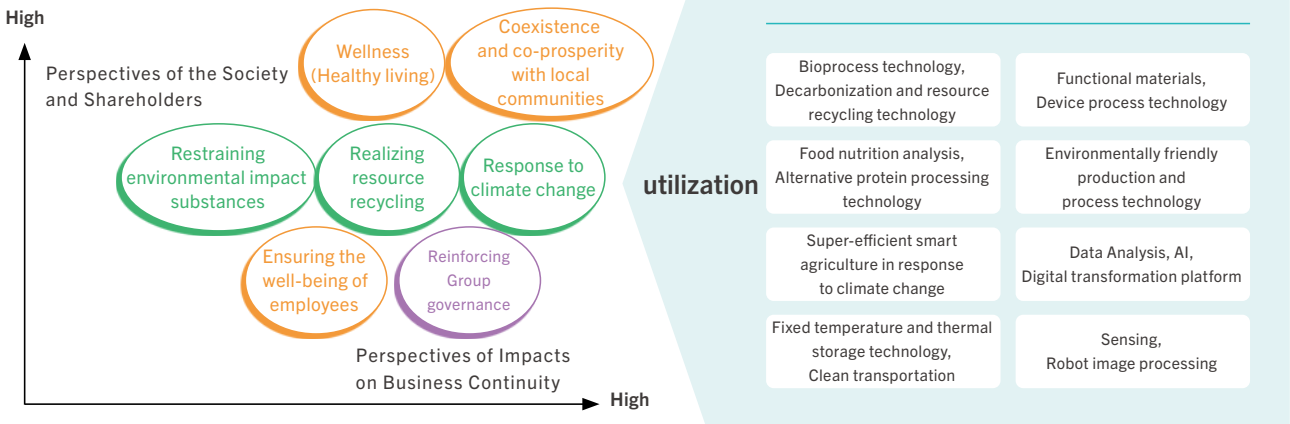
*A KPI tool for promoting sustainable management, developed and publicized by the UK-based Future-Fit Foundation.

Materiality	Opportunities	Risks
<p>1 Response to climate change</p>	<ul style="list-style-type: none"> Using biomass to establish the locally produced and consumed energy supply system Switching from petroleum-based energy to low-carbon energy and offering the related equipment Providing decarbonization solutions such as next-generation fuels (hydrogen, liquefied biomethane) 	<ul style="list-style-type: none"> Stricter regulations on fossil fuel use and CO₂ emissions Shrinking existing energy markets with less demand due to energy conversion Severer natural disasters impacting production and logistics such as storm surges and floods
<p>2 Realizing resource recycling</p>	<ul style="list-style-type: none"> Providing collection, refining, and purifying systems for industrial emissions (CO₂ capture and fixation, etc.) Reducing waste by promoting recycling and reuse Building a waste-recycling supply chain (e.g., treatment systems for food waste, livestock manure) 	<ul style="list-style-type: none"> Stricter waste treatment restrictions and higher disposal costs Spreading environmental issues/risks due to resource depletion, population growth, etc.
<p>3 Restraining environmental impact</p>	<ul style="list-style-type: none"> Providing waste gas refining equipment, water treatment facilities, and products for waste gas/water and soil remediation Using plastic alternatives in drink containers and packaging materials 	<ul style="list-style-type: none"> Water’s scarcity and worse quality impacting procurement/production activities Higher costs due to tighter regulations on chemical substance and plastics
<p>4 Coexistence and co-prosperity with local communities</p>	<ul style="list-style-type: none"> Providing solutions to minimize risks from natural disasters Delivering products and services that contribute to the better social infrastructure system such as sewage systems Creating businesses that boost regional employment and revitalize regional economies More needs for smart factories and smart agriculture 	<ul style="list-style-type: none"> Declining local economies due to fewer population (falling birthrate and aging population) and urban concentration Operations for severe damage from natural disasters and aging social infrastructure Higher maintenance costs
<p>5 Wellness (Healthy living)</p>	<ul style="list-style-type: none"> Delivering products and services that contribute to the advancement and remote control of medical care Delivering products and services that enable self-medication Supplying food ingredients that are tasty, safe, reliable, and healthy 	<ul style="list-style-type: none"> Increasing medical costs by aging population and extending healthy-life expectancy Changes in disease patterns, such as chronic and complex lifestyle diseases
<p>6 Ensuring the well-being of employees</p>	<ul style="list-style-type: none"> Enhancing workstyle and work-life balance through ICT Promoting employees’ career development and diversity management Promoting a workplace environment where employees can work with peace of mind and in good physical and mental health 	<ul style="list-style-type: none"> Decreased labor productivity and outflow of excellent human resources if without appropriate measures Risk of impaired employees’ health Diversified values of employees by business globalization
<p>7 Reinforcing Group governance</p>	<ul style="list-style-type: none"> Enhancing internal controls by integrating/reorganizing subsidiaries Ensuring compliance and reinforcing risk management Higher stakeholders’ trust through greater transparency 	<ul style="list-style-type: none"> Business continuity risk and unexpected losses from dysfunctional internal controls Losing social credibility due to compliance violations Inadequate risk management due to M&As and business expansion

Pillars to Success (Materiality)

We have identified factors below that are highly important from both “perspectives of impacts on business continuity” (horizontal axis) and “society and stakeholders’ perspectives” (vertical axis). Through innovation that leverage our diverse technologies, we will be making our Sustainability Vision a reality.

Materiality Map



Relevant Business Domains					Related SDGs	
Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	OTHERS		
●	●	●	●	●	7, 9, 11, 12, 13	
●	●		●	●	6, 11, 12, 13	
●			●	●	6, 11, 12, 13, 14, 15	
●	●	●	●	●	2, 3, 6, 8, 9, 11, 12, 13	
		●	●		2, 3, 8, 12	
●	●	●	●	●	2, 3, 4, 5, 8, 10, 11, 16, 17	
●	●	●	●	●	8, 16, 17	

AIR WATER's Growth Strategy

**Integrated
manage**

**Optimize the
for capital**

**Boost profitability
of existing businesses
in Japan**

- Business inspections for enhancement
- Price management
- BS management led by the headquarters
- Optimal personnel allocation, etc.

Grow new businesses

1 Overseas industrial gases

Will build a business foundation in industrial gases and, in the future, diversify into related fields such as medical, environmental, and food products, making high growth.

Target markets: India, North America

Strengths: Gas plant technology, VSU model, tie-ups with major trading companies

2 Decarbonization

Will establish a clean energy supply model of local production for local consumption, solving climate change issues.

Focus areas: Biogas, methane, hydrogen, CO₂ capture/re-use

Strengths: High-efficient gas purification/separation technology, transport and supply infrastructure, community-based social capital

3 Agriculture

Will grow agribusiness to help increase food self-sufficiency and reduce food loss.

Focus area: Fruit & vegetable distribution and processing

Strengths: Business base in Hokkaido (procurement capacities, the brand, etc.), capital and business tie-ups with two industry leaders, freshness keeper with logistics and gas technology

group
ment
entire group
efficiency

Realizing “terrAWell30”

The Air Water Group has set forth the vision toward FY2030 and released it as “terrAWell30.” Under this vision, we are working to “create new corporate value through solving social issues” while generating synergies by creatively combining diverse businesses, human resources, and technologies based on the two growth axes of Global Environment and Wellness.

Our vision toward 2030 = terrAWell30

Increased profitability

Operating profit: **160** billion yen Operating margin: 10%

Expanded business

Revenue: **1.6** trillion yen, of which 20% from overseas revenue

Enhanced capital efficiency

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

ROE: **12% or more** (9.7% in FY2022)

ROIC: **8% or more** (5.6% in FY2022)

Non-financial KPIs

GHG emissions

cut **30%**
(vs. FY2020)

Waste recycling rate

80%
(65% in FY2021)

Water consumption intensity

cut **10%**
(vs. FY2021)



Global Environment



Wellness



Society we aim for

Decarbonized

Resource recycling-oriented

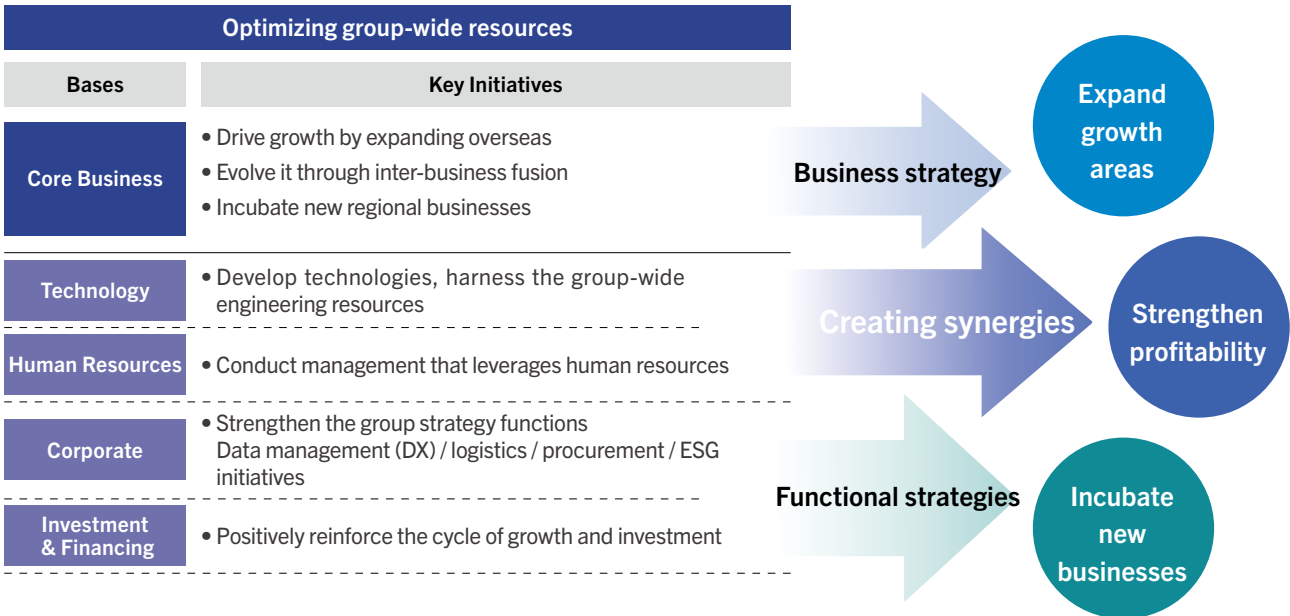
Where people and nature coexist

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.



Progress in growth strategies

To realize our vision of “terrAWell30,” we are strengthening profitability, expanding growth areas, and incubating new businesses, based on the idea of maximizing the value we can create by the Group’s management resources.

Strengthen
profitability

Evolving Integrated Group Management (p.42)

We shifted to unit-based and group-integrated management to promote total optimization. In the domestic business, we are enhancing logistics (total optimization of data-based logistics), DX (reduced operations using IT), and procurement (cost cut by group-wide procurement), as well as strengthening profitability through optimal personnel allocation, price management, and appropriate inventory levels.

Expand
growth areas

FOCUS 1 (p.44)

Global & Engineering

Here introduces the Global Business, which aims to become a gas company with a strong presence in the global market and shows rapid growth through aggressive investment in industrial gas and engineering. Topics include its base strategy, strengths, and market strategies for its most important regions, North America and India, respectively.

FOCUS 2 (p.48)

Electronics

This section describes the Electronics Business, which continues to grow by capturing investment demand from the semiconductor industry, which is expanding its investment in digitalization and domestic production of products to meet increasingly complex, cutting-edge needs.

Incubate
new
business

FOCUS 3 (p.50)

Incorporating Carbon Neutrality into Growth

This section showcases how we approach carbon-neutral society and a resource-recycling business model by leveraging our technologies and businesses that contribute to low-carbon/decarbonization, our customer base, logistics network, and other management resources.

FOCUS 4 (p.54)

Incorporating Wellness into Growth

Here presents how we create new businesses and set up the structure that can solve social issues such as food shortages due to the growing world population and the extension of healthy life expectancy in a super-aged society.

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Evolving Integrated Group Management

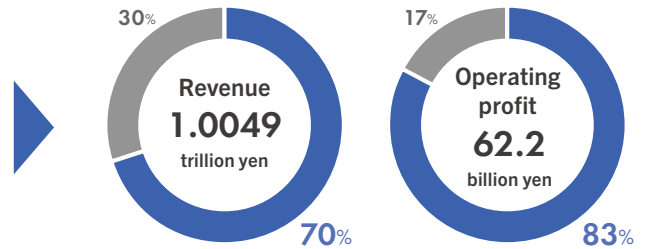
In April 2022, the Air Water Group transitioned to unit-based management by integrating organizations of AIR WATER INC. and the group companies. Moving on, we intend to elevate this unit management into a group management structure that integrates the Air Water and those group companies playing core roles in each business area, thereby we will optimize group management resources and promote autonomous growth of each group company.

Each autonomous growth drives the entire growth

Since 2000, we have brought in more than 245 companies from diverse backgrounds through M&As, and have managed the Group respecting the uniqueness of each company’s business.

Now seeing a diverse range of business and revenue of 1 trillion yen, it is no exaggeration to say that the autonomous growth of each group company drives the growth of the entire Group.

Out of FY2022 results, % of 23 core companies (operating profit of ¥1B or more)



Major consolidations and reorganizations

Timeline	Business areas	Core companies created
Oct. 2020	Regional business companies	Air Water Hokkaido Inc. Air Water East Japan Inc. Air Water West Japan Inc.
Oct. 2021	Functional chemicals	Air Water Performance Chemical Inc.
	Processed food	Air Water Agri & Foods Co., Ltd.
Apr. 2023	Industrial gases, specialty chemicals Semiconductors equipment	Air Water Electronics Inc. Air Water Mechatronics Inc.
	LP gas (Hokkaido)	Air Water Life Solution Inc.
July 2023	Medical equip., care products	AIR WATER MEDICAL INC.
Oct. 2023	Aerosol, needles	AIR WATER REALIZE INC.

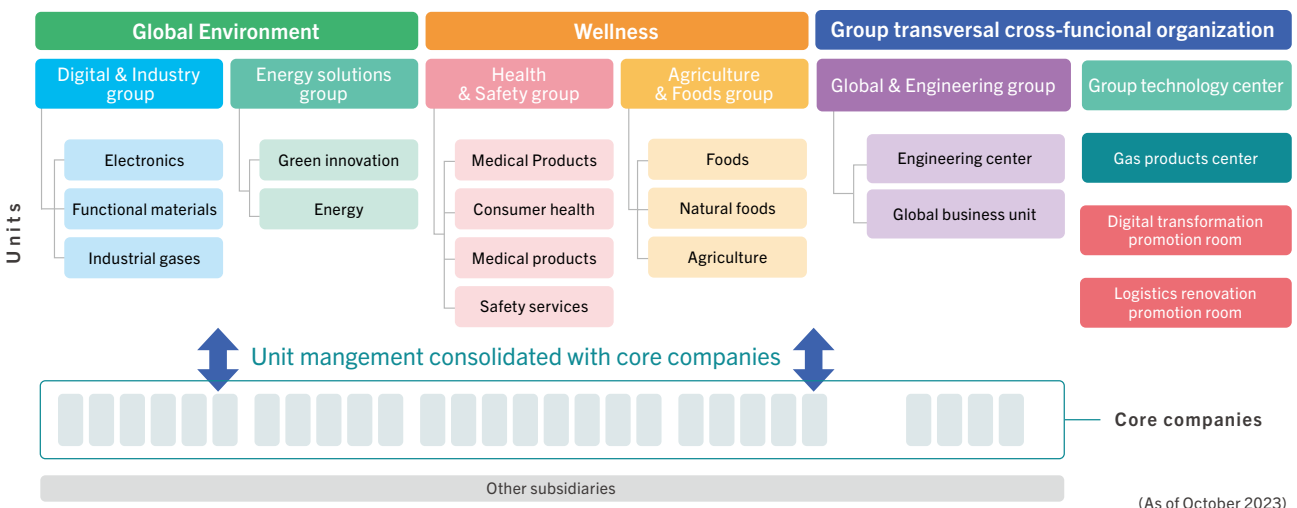
Formed the “core companies” through reorganization

To encourage autonomous growth of group companies, it is important to have each company increase its presence in the industry and to reach a certain size to facilitate strategic capital investment, M&As, and alliances with other companies.

Therefore, we have defined companies with annual operating profit exceeding 1 billion yen as “core companies”, and have integrated and reorganized group companies to form core companies in each business area.

Introduction of the Unit System

While focusing on the autonomous growth of group companies, we are working to build a management structure that allows us to leverage the collective strengths of the group by creating synergies among various businesses, human resources, and technologies, which are our management resources. As a key strategy for it, we have integrated and reorganized our diverse business domains into four business groups under the two growth axes of “Global Environment” and “Wellness” in April 2022, and also introduced the new “Unit System.” For details on the purpose of the Unit System, please refer to CEO Message (p.14).



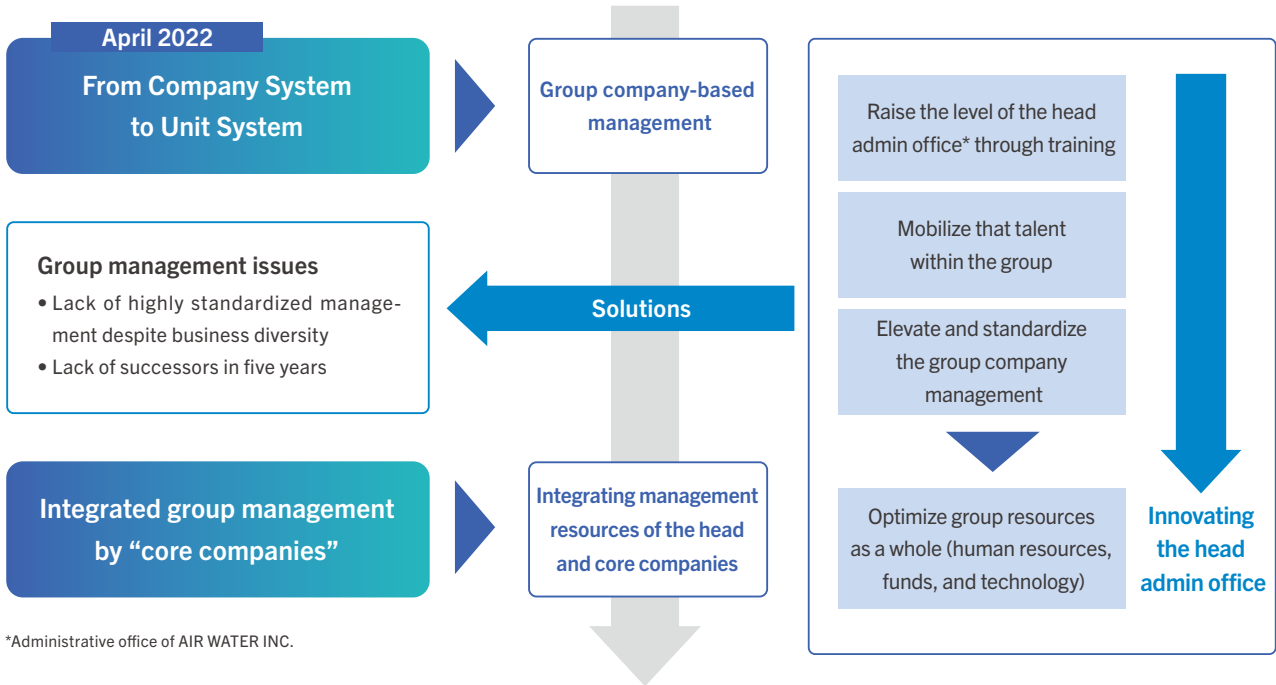
(As of October 2023)

*1 Out of the 13 unites, leaders of 7 unites are from M&A companies, and these unit leaders are also appointed as presidents of Group companies that are affiliate core companies (part of them have experience as presidents).

*2 Prior to introduction of the Unit System, organizations that group transversally promote technology development, engineering, function and digital transformation promotion of gas products, and logistics renovation are established.

Innovating the head office administration and mobilizing group-wide human resources

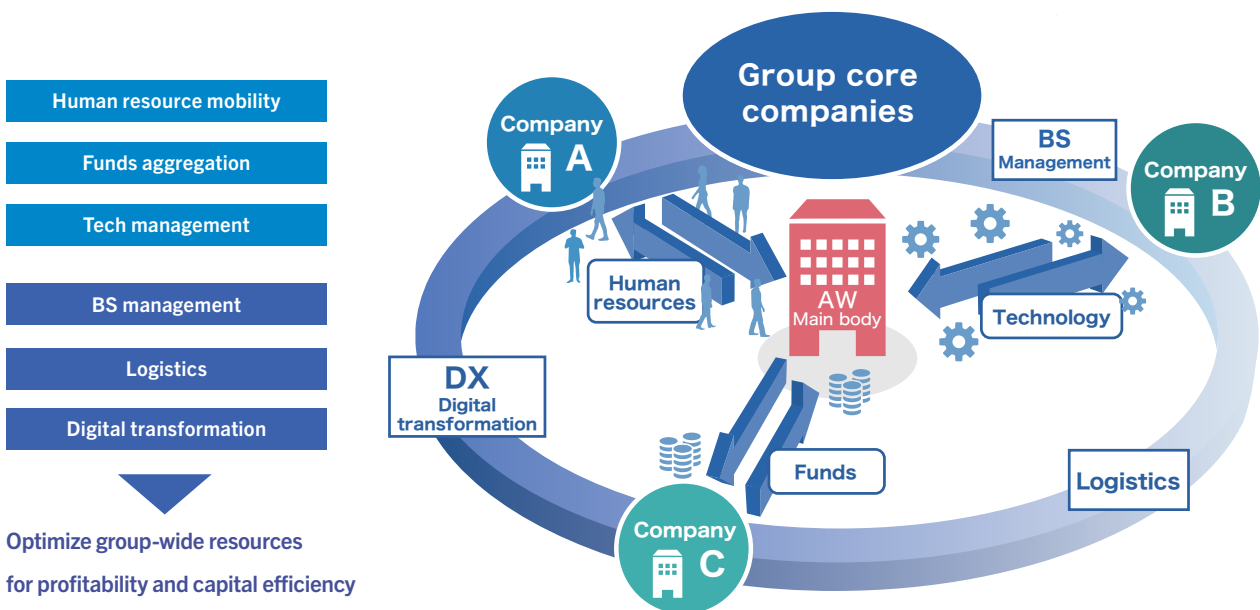
Another future challenge for our group management is to highly standardize the management of group companies by the headquarters administration and to increase the mobility of human resources. The common application of advanced management is essential to optimize the allocation of management resources and to promote business growth in each company. In addition, mobilizing human resources within the Group and fostering the next-generation management are also an urgent issue, given the concern about the lack of successors to management personnel at group companies.



Integrated group management by the core companies

Of the 142 consolidated subsidiaries as of March 31, 2023, there are currently 23 core companies with operating income of 1 billion yen or more. We plan to increase the number to about 30 companies through further integration and reorganization.

While based on the Unit System and keeping the originality of their operations, we will manage both the headquarters and core companies in an integrated manner as to the key management resources (human resources, funds, and technology) and the common infrastructure that supports the growth of core companies (BS management, digital transformation, and logistics). Thereby we will be realizing our growth strategies, including the total optimization of group management resources.





FOCUS 1

Global & Engineering

Making a presence in the global market as an industrial gas manufacturer

One of the growth drivers to our long-term vision “terrAWell30” is the global business. Our Group has designated India and North America as the most important areas, and is expanding our industrial gas business globally by leveraging the engineering capabilities cultivated in Japan.

Expanding in India and North America

We have positioned India and North America as drivers of company-wide growth, as we believe their market environments are well suited to leverage our accumulated strengths.

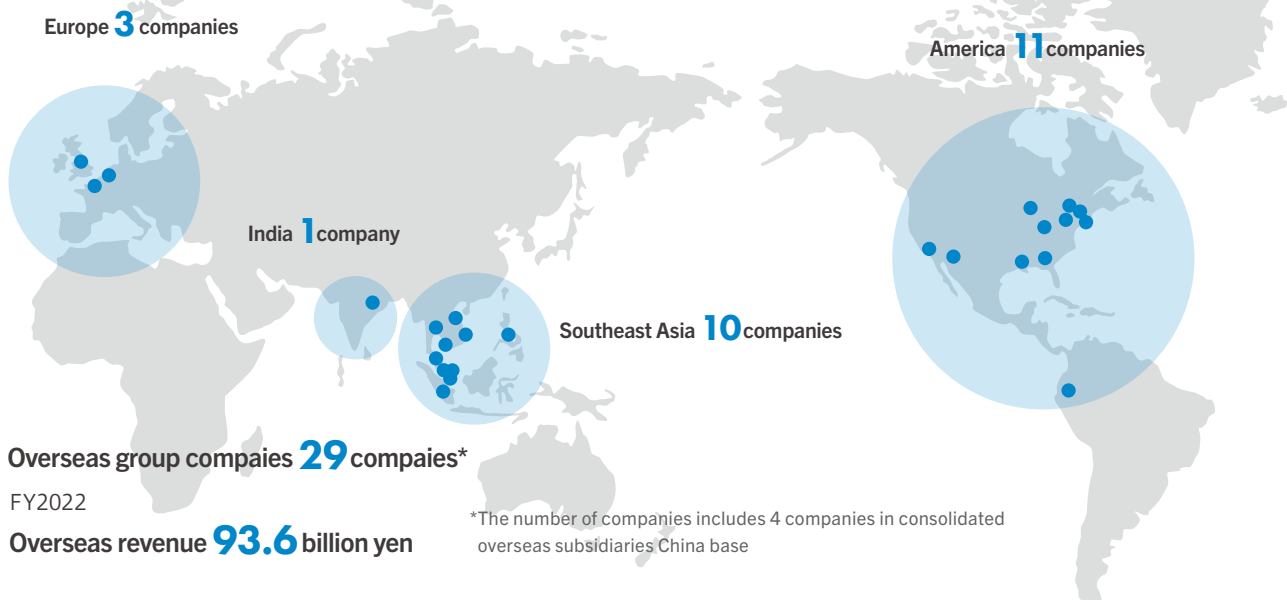
India is currently in a high-growth period

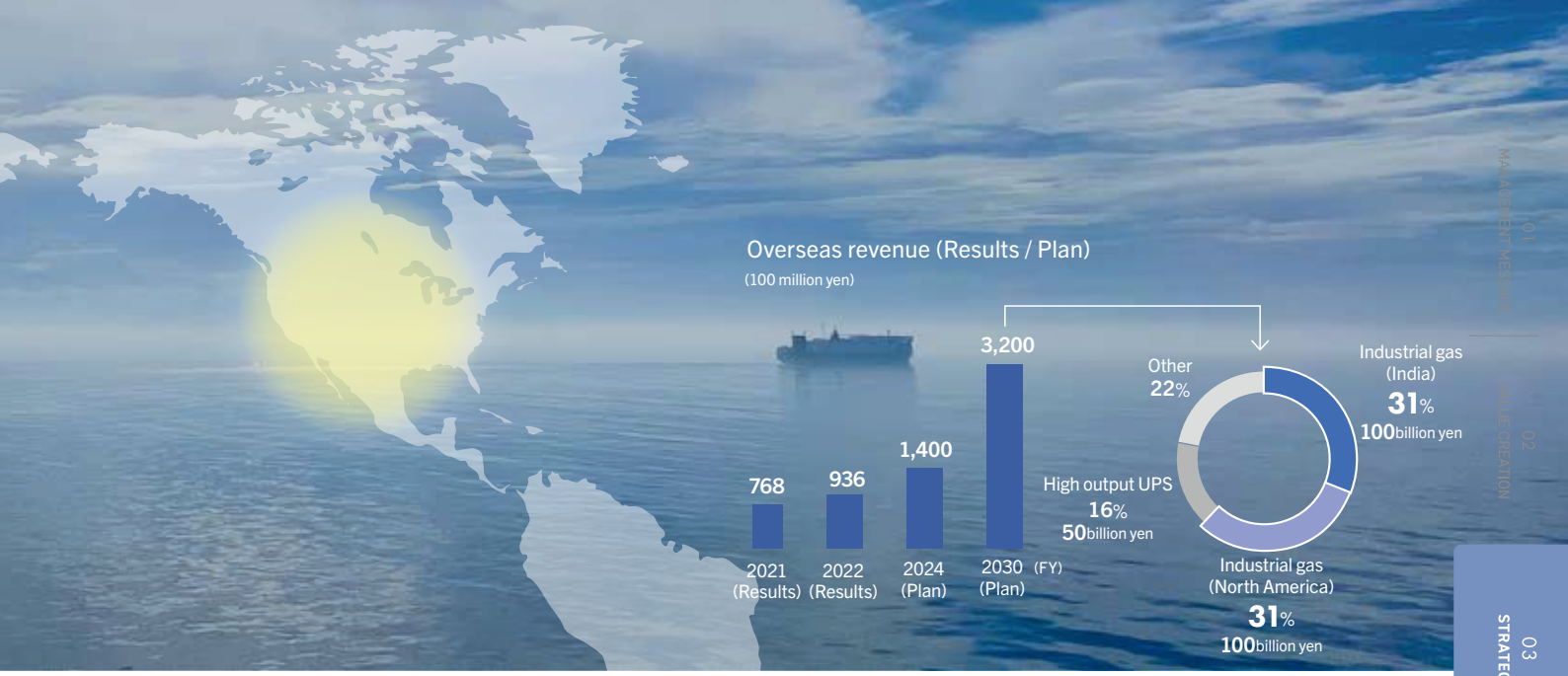
with strong demand from the steel industry, the largest user of industrial gases, and a GDP growing at 7% per year. Government-led infrastructure investment is underway to promote the automobile industry and other manufacturing industries, with the goal of expanding annual crude steel production capacity to 300 million tons by FY2030, more than double the current capacity. Since industrial gas is essential for the growth of the manufacturing industry, there is high growth potential in India, just as it did during Japan’s former period of rapid economic growth. We consider India as our key strategic area where we can demonstrate our advantages in engineering technology and plant operations that

we have provided to Japanese steelmakers to date.

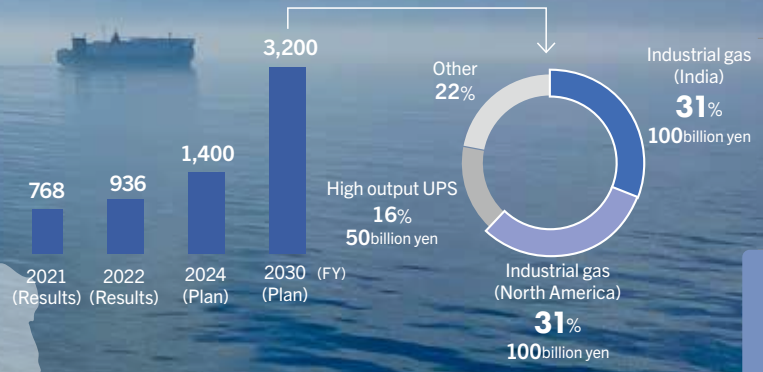
North America is the world’s largest industrial gas market, approximately five times the size of Japan. Multiple industries are increasing their gas use, including semiconductor-related manufacturing and cryogenic transport technologies in pharmaceuticals and biotechnology. Also, new usages for decarbonization such as hydrogen and CO₂ capture are expanding, and we believe that our experience in the North American market, the world’s most advanced consumer of industrial gases, will make us more competitive in the global market.

Main overseas bases of the Air Water Group





Overseas revenue (Results / Plan)
 (100 million yen)



Bringing engineering capabilities overseas

We acquired the technology for a large-scale cryogenic air separation plant through our joint venture with Kobe Steel, and secured its position as a plant manufacturer as we enhanced the engineering. We also placed manufacturing bases for plants and cryogenic equipment not only in Japan, but in North America, Asia, and Europe to establish a global engineering system that covers demand in all regions. Moreover, we have the operation and maintenance technologies that contribute to stable and safe operations for our

customers, which we have cultivated over many years by supplying on-site gas to steelmakers. In India, we acquired business in 2019 from the local subsidiary of a major industrial gas company. It solidified the foundation of our on-site gas supply to steel mills, the first and second largest in India, and our lorry and cylinder business around the eastern and southern parts of India. With such plant engineering technology and expertise, we will develop the ability to compete with industrial gas majors on an equal footing, and focus on our overseas business in India and North America.

Starting in 2022, Air Water and Mitsui & Co., Ltd. have formed a strategic alliance to expand the business in the global market focusing on industrial gases. It harnesses our technology and know-how in gas production/supply and Mitsui's information network in the fields of chemical/steel/energy, etc. to accelerate our industrial gas business in India and North America. In the future, we will leverage our industrial gas business bases to boldly take on the challenge of expanding into other businesses, such as medical and food products, in the global market as well as in Japan.

Launched G&E Group to speed up business growth and development

We have established the Global & Engineering (G&E) Group to centralize our expertise in the industrial gas and boost global expansion. The primary mission is to grow the global business even faster, using core technologies in deep-cooled separation, adsorption separation, hydrogen production, and cryogenic gas applications. Another is to speed up the process from R&D to commercialization by deepening cooperation between the development division and operating companies. We also have the Global Management division to manage overseas operating companies in a timely and centralized manner, by which we will be enhancing management functions such as finance, consolidated control, and operational auditing.

Our overseas expansion has brought us a variety of human, technological, and other resources so far. Going forward, we will develop a global database of engineering talent and utilize it in our human resource strategy. We will also provide solutions to increasingly complex social issues by quickly increasing the strength of our global human resources through recruitment and training, and by combining resources through the cross-fertilization of diverse human resources and technologies.



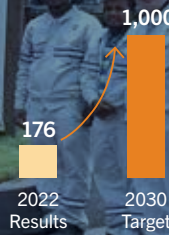
AIR WATER INC.
 Corporate Director,
 Managing Executive Officer,
 in charge of Global & Engineering Group,
 and General Manager
 of Engineering Center

Shigeki Otsuka

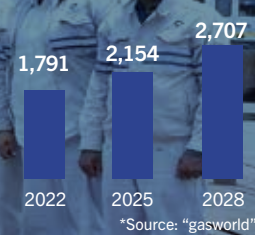
India Business

India has the fastest growing industrial gas market in the world. With rapid economic growth, the amount of oxygen used in the steel industry is expected to further increase due to the growing demand for steel materials for automobiles and construction materials.

Sales target (100 million yen)



India market size forecast (million USD)



India market strategy

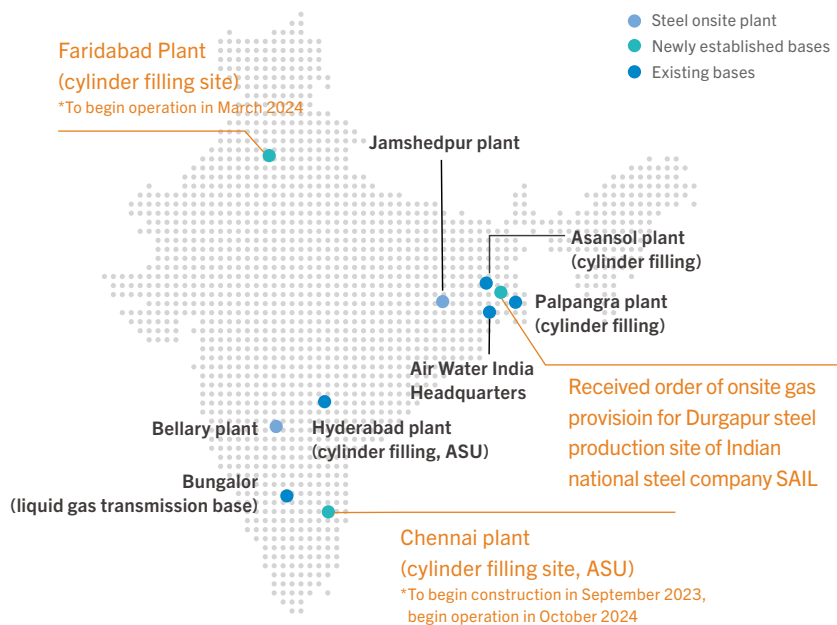
- Win new on-site gas supply for steel
- Build an infrastructure network with more gas production bases

Ranked the industry's 3rd position through M&As

After entering India in 2013, Air Water has increased its credibility as a local industrial gas producer and gained the third largest market share in India, starting with a major M&A of steel on-site bases in the eastern and southern parts of the country in 2019.

Won an on-site gas supply contract for a state-owned steel company

The Japanese government is strengthening ties with India in many areas, including politics, society, and security. Against this backdrop, in September 2023, we received an order from Steel Authority of India Limited (SAIL), a state-owned steel company in India, for on-site gas supply to its Durgapur steel plant in the eastern part of the country. It makes a significance for the Japan-India Economic Partnership, as Air Water, a Japanese company, will be working on a large-scale project with an Indian state-owned company. We plan to invest approximately 13.5 billion yen to make a cutting-edge, large-scale deep-cooled air separation plant, combining the engineering capabilities of Japan, India, and the U.S. under our global structure, and to start supplying gas in October 2025. This is our first order in India for a large-scale deep-cooled air separation plant and the third on-site gas supply base for the steel industry in India, following Tata Steel (Jamshedpur Plant) and JSW Steel (Bellary Plant). We have taken a steady step toward dramatic growth.



Networking for business development throughout India

In March 2024, a filling plant will begin operation in northern India, where we have yet to enter, and in October 2024, a liquefied gas production plant will start operation in Chennai, a major city in the south. We intend to continue capital investment in line with demand, expand our business throughout India, and build a network of manufacturing, transportation, and sales infrastructure based on our on-site gas supply business for steel makers. At the same time, we aim to become the second largest gas supplier in India by expanding our gas portfolio to include hydrogen, helium, rare gases, and other gases. In the future, we aim to expand our India business

to 100 billion yen by 2030 by developing diverse businesses, including gas and related equipment for the semiconductor industry, which is expected to expand into the country, as well as biogas, medical, and food fields.

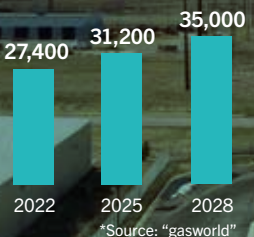
Matsubayashi COO discusses with President Modi as part of Japan and India partnership



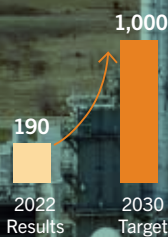
©PMO India

North America Business

US market size forecast (million USD)



Sales target (100 million yen)

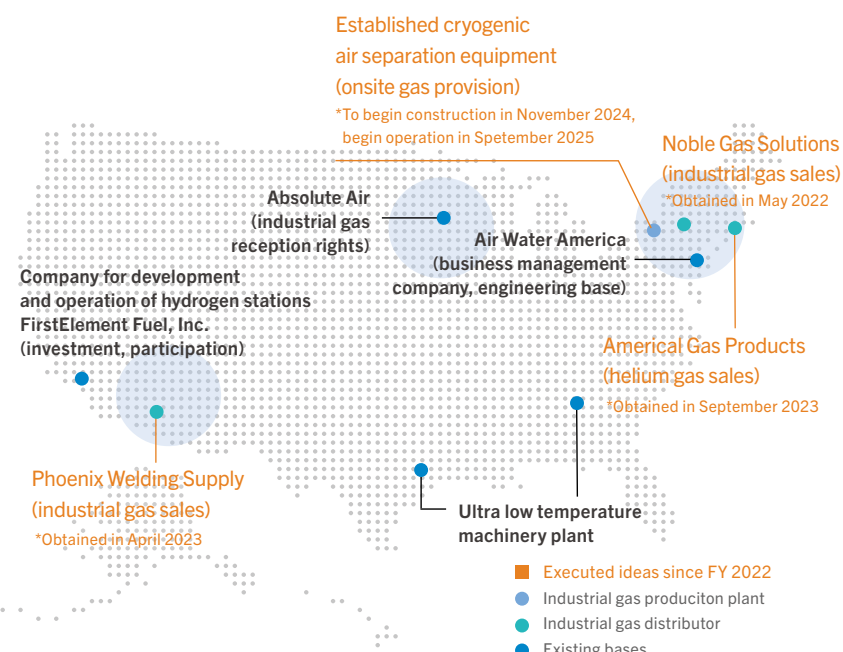


North America has the world's largest market for industrial gases with an average annual growth rate of 4.5% expected. Besides major industries such as semiconductors, there are also advanced initiatives to build a hydrogen supply chain, etc.

- Develop a U.S. version of "VSU" strategy
- Establish value-added helium and green liquefied hydrogen businesses

North America market strategy

al gas distributor based in the same area, which launched an integrated gas supply business from production to sales. In April 2023, we bought out a distributor based in Arizona, where the high-tech industry is located, thereby expanding our business area. Furthermore, in September 2023, we acquired a helium sales company that covers throughout North America. By expanding our handling of high value-added gas types and enhancing our ability to make comprehensive proposals, we will capture demand from semiconductors and other growth industries.



Entered the world's largest market with new demands

North America is the world's largest industrial gas market, about five times that of Japan (about 3 trillion yen), and is not only a center for cutting-edge technologies, but also a market where related new applications, including those related to decarbonization, are being created ahead of the rest of the world. Our strength in developing the North American market is our highly efficient gas purification and separation technology and our engineering capability to design and manufacture deep-cooled air separation equipment. Since entering the North American market in 2016 looking to industrial gas expansion, we have increased our presence in the market while building our business

base through acquisitions of cryogenic equipment manufacturers and plant engineering companies, as well as working with local partners.

Launched the industrial gas business

Through such a process, we started our industrial gas in North America in 2022. Our market development strategy is the "U.S. version of the VSU model," in which we acquire sales functions through M&As and alliances with local distributors, while establishing our own gas production facilities around these facilities. In August 2023, we acquired our first gas production site in New York State, supplying on-site gas to a large customer. Prior to this, in May 2022, we had acquired an industri-

Capturing decarbonization demand

In the U.S., where decarbonization-related demand is growing rapidly, we currently produce and sell liquefied hydrogen tanks that require a high level of technology and CO₂ recovery equipment. Also, we invested in FirstElement Fuel Inc., the largest hydrogen distributor for mobility in the U.S., and are building a hydrogen supply chain through supplying liquefied hydrogen tanks and rechargers*. Our vision is to further expand the advanced technology and know-how acquired in the U.S. to other regions, including Japan, as well as to work on CO₂ capture and the production and supply of green liquefied hydrogen.

*Mobile hydrogen station capable of transporting liquefied hydrogen and refueling gaseous hydrogen in a single vehicle.



American Gas Products plant



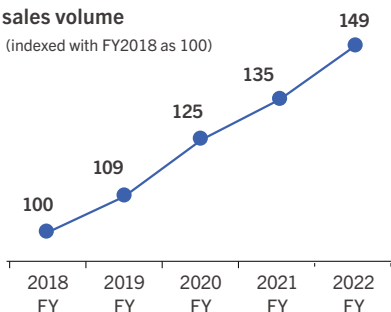
FOCUS 2
Electronics

Seizing the growing semiconductor market with our group-wide strengths

In Japan, major semiconductor manufacturers are building new/additional plants to promote digitalization and domestic production of semiconductors.

The Air Water Group has a track record of supplying on-site gas for semiconductors with the “V1” nitrogen gas generator, pioneering in the industry since 1980’s. Especially in recent years, we have continued to invest heavily in on-site gas supply, particularly to major semiconductor manu-

Transition of nitrogen gas sales volume
(indexed with FY2018 as 100)



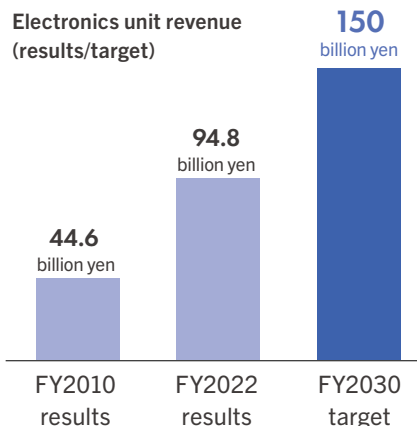
facturers.

In addition to gases, our products for the semiconductors have expanded through M&As, by which we have more products to enhance their production and technology; including specialty gases and chemicals, supply equipment, gas purification and exhaust gas treatment equipment, and thermal control equipment for the manufacturing equipment. Among them, electronics-related sales doubled from about 45 billion yen in 2010 to about 95 billion yen in 2022.

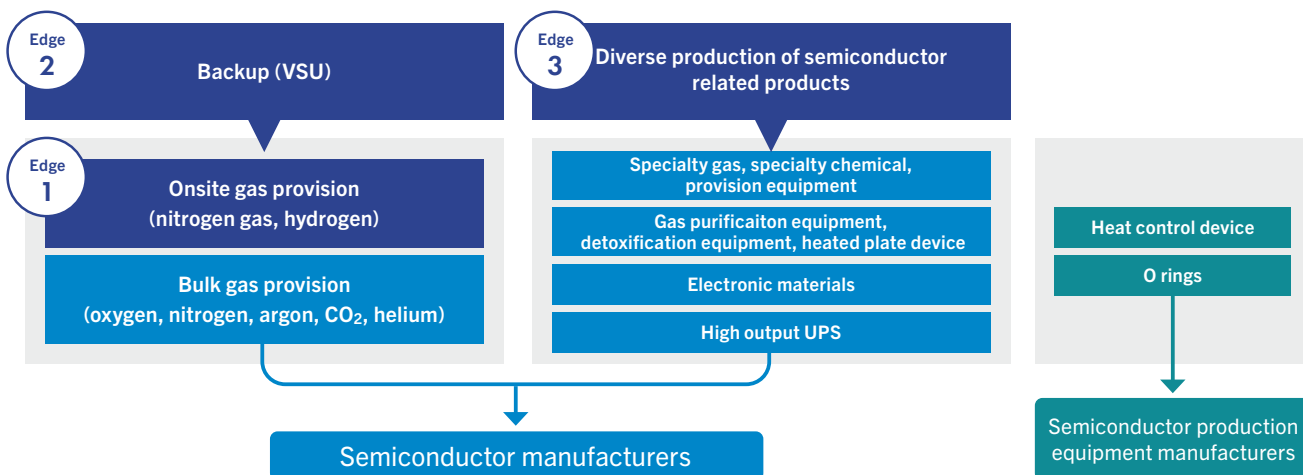
Then in April 2023, the electronics business across the Group was reorganized into two operating companies with clearly defined roles in “gas” and “equipment,”

and shifted to a structure aimed at more effectively utilizing group resources and expanding business.

Looking forward, we target 150 billion yen scale by 2030 with our comprehensive strength in on-site gas supply to semiconductor manufacturers and related fields.



Air Water Group’s comprehensive strengths for the Electronics



With our competitive edge in the semiconductor industry developed over years, we will seize the greater demand for electronics-related products and keep growing.

Edge 1

Nitrogen gas generator “V1”

In the 1980s, we developed an innovative nitrogen gas generator, the V1, which did not use an expansion turbine, and also pioneered the industry’s first “total gas system.” It is to build our own plants in customers’ factories and provide the total support including gas production, supply, monitoring, and maintenance, which became the de facto standard model for the supply of nitrogen to semiconductor factories. We have installed more than 200 of them, mainly for semiconductor manufac-

turers and other electronics-related users. Moreover, for large-scale semiconductor plants such as DRAM and CMOS sensors, we have the expertise and track record of stable supply through our five Gas Centers in Japan, which outperforms the competitors. We are accelerating investment in gas supply plants to accommodate more semiconductor manufacturing plants, as well as strengthening our engineering system to build the plants. (ref. p.71)

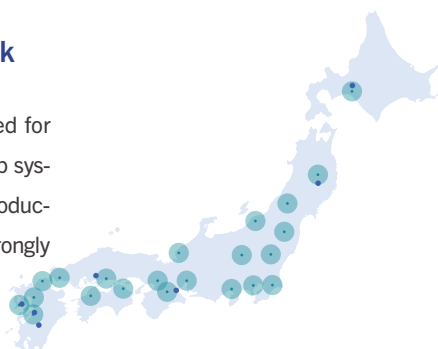


Gas Centers around Japan
 L: Hiroshima, R: Nagasaki, B: Iwate (WIP)

Edge 2

Backup system with VSU network

We ensure a stable supply of industrial gases required for semiconductor manufacturing at any time. As a backup system for this purpose, we have deployed liquefied gas production plants called “VSU” at 22 locations nationwide to strongly support the supply of gas for electronics.



Iwate Ekisan Co.

Edge 3

Total support for semiconductors

Not only gas supply, we also provide comprehensive support for semiconductor manufacturing, including sales of materials and equipment for medicine and chemical raw materials, as well as piping work and logistics. We have warehouses close to semiconductor plants that can handle high-pressure gases and hazardous materials to provide one-stop management of manufacturing materials from procurement to supply. We have also developed a materials management service, in which qualified personnel are stationed in the plants to undertake all container exchange and material supply equipment inspections.



Specialty chemicals, supply equipment



Purifier, detoxifier



Hazardous material storage

Opening our new electronics-related base in Kumamoto

We are launching a new business complex base in Kikuchi-gun, Kumamoto Prefecture, which specializes in electronics-related business by the summer of 2024. This new site will have warehouses to store specialty chemicals, specialty gases, and basic chemicals to

meet the growing demand for semiconductor materials. In the future, we are looking to build a gas plant to supply gas on-site to nearby semiconductor plants.



FOCUS 3

Incorporating Carbon Neutrality into Growth

The issue of climate change is not only a Materiality for us, a company that consumes a lot of electricity, but also a major business opportunity.

Based on industrial gas, our core business, we have developed over many years technologies and businesses that contribute to low-carbon and decarbonization, such as CO₂ capture, hydrogen production, and methane, as well as manage-

ment resources such as ties with local communities, a customer base, and a logistics network. By capitalizing on these resources with regional characteristics, our Group will work to build a “resource-recycling energy supply model of local production for local consumption” that creates clean energy from locally generated waste, and stays committed to solving social issues.



Case 1. Produce & utilize biomethane

Modeling sustainable and locally-recyclable energy supply

Our Group has been working to build a regional recycling supply chain in which unused biogas generated from livestock manure is processed into liquefied biomethane (LBM), an alternative fuel to liquefied natural gas (LNG), and consumed within the region. It

is a business model that solves social issues by providing clean, sustainable, domestically produced energy in dairy farming areas, and also reducing odors and water pollution caused by livestock manure.



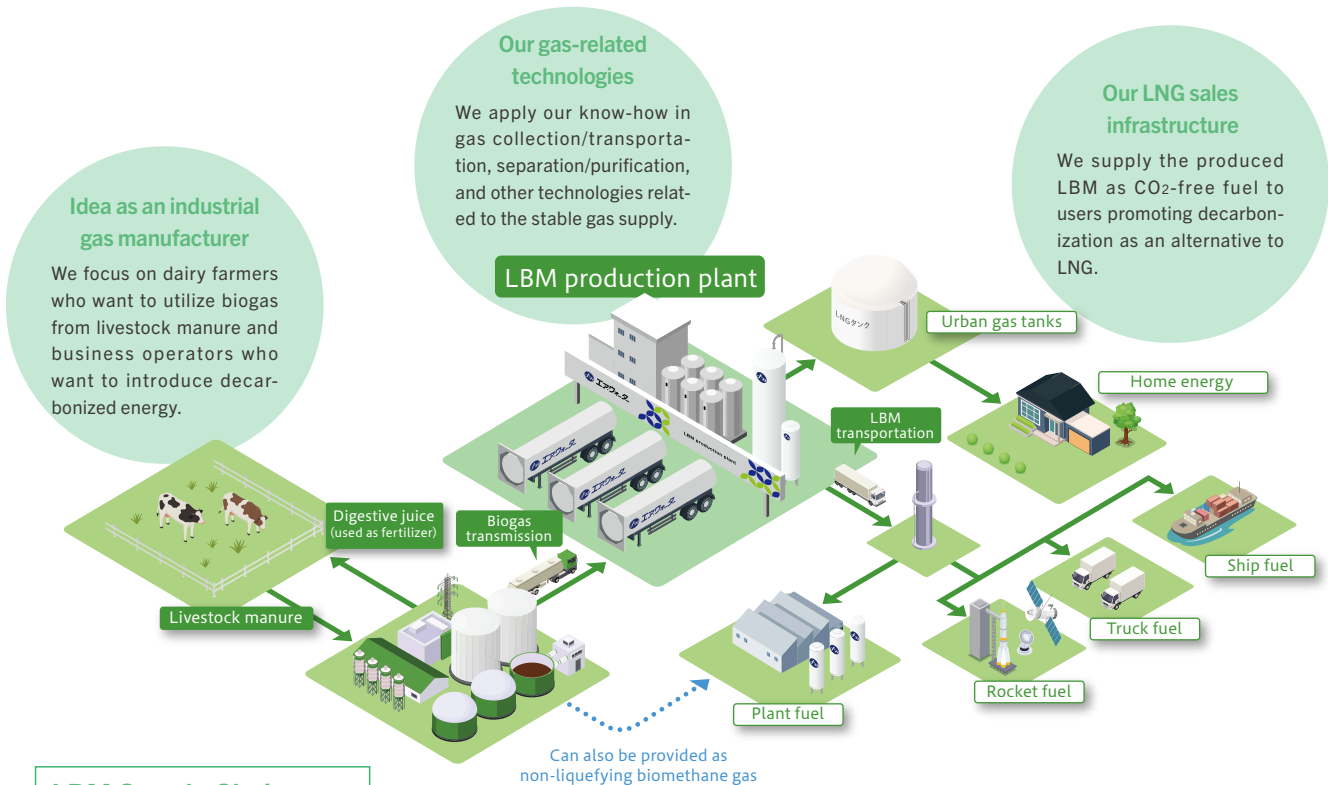
Marine fuel

Conducted demonstration tests of LBM as marine fuel for domestic transportation with six companies including Mitsui O.S.K. Lines. It would be an effective way to decarbonize ship operations.



Plant power, product materials

Signed an agreement to use LBM at the Obihiro Plant of Panasonic Industry Co. In FY2025, it will be used for electricity and EV relays materials to help decarbonize the plant.



LBM Supply Chain in Tokachi area

*If the entire production is used to replace LNG, the greenhouse gas would be reduced by more than 60%.

This is an initiative unique to our Group that combines our core industrial gas technology and energy business know-how with Hokkaido's regional business infrastructure and logistics network, and is scheduled to be commercialized in FY2024. We will handle LBM as a new energy product and invest some 60 billion yen over the next 10 years to implement it in society.



City gas (Energy for living)

We conducted a demonstration project to use LBM as an alternative fuel to LNG in the pipeline service area of Obihiro Gas Co., making the first attempt in Japan to supply LBM to city gas users.



Rocket fuel

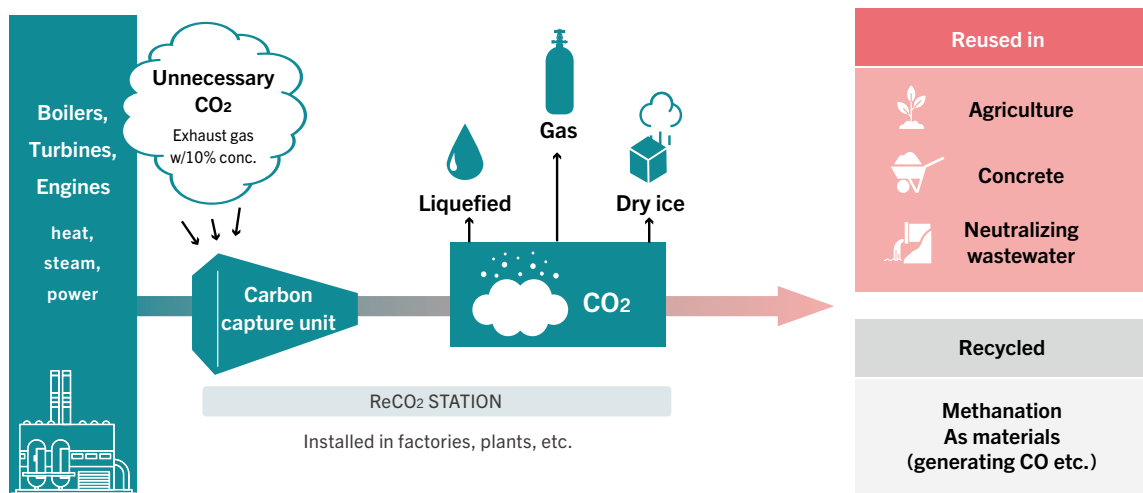
Interstellar Technologies Inc. decided to use LBM as fuel for the satellite launch vehicle "ZERO" and started demonstration experiments at the engine combustion test facility in December 2023.

Case 2. Use CO₂ capturing technology to create recycling society

The world has yet to establish a technology for low-cost, low-energy CO₂ capture from low-concentration flue gas emitted from small- to mid-scale factories such as boilers and industrial furnaces. We made this possible with “ReCO₂ STATION,” a compact CO₂ recovery and utilization system. It was developed by using our proprietary adsorption separation technology, based on

our long experience in gas production/engineering technology and as a manufacturer of carbon dioxide gas and dry ice. The collected CO₂ can be turned into dry ice on site, and we are building a new carbon dioxide gas supply chain of the “local production for local consumption” model.

Recycling and utilization of emitted CO₂



Recycling waste into biogas, biomethane, and other decarbonized and low-carbon energy.

Dry ice made by this equipment



“ReCO₂ STATION” is designed for use with combustion exhaust gas with a CO₂ concentration of about 10% from industrial furnaces and boilers. It is also a container-sized device that can compress CO₂ to produce liquefied carbon dioxide gas, which can then be solidified to produce even dry ice.

Our Group is a leading manufacturer of dry ice, which is used to cool and preserve food and other products, but in recent years, suppliers of CO₂, the raw material for dry ice, are decreasing due to the closure of domestic refineries and steel mills. In the future, we plan to build a locally produced and consumed dry ice supply network which captures CO₂ and produces dry ice within the region. We also promote “carbon recycling,” in which the collected CO₂ is regarded as a “resource” and reused as a raw material or fuel.



We are also developing technology to capture low-concentration CO₂ at lower cost, which was adopted by the New Energy and Industrial Technology Development Organization (NEDO) for its “Green Innovation Fund Project.” We jointly research with TODA KOGYO CORP. and Saitama University on using a material called sodium ferrite (Na-Fe oxide) as a CO₂ adsorbent. We aim to reduce the collection cost to 2,000 yen/t-CO₂, about half the current.

Case 3. Advance the hydrogen supply business

Using hydrogen, which does not emit CO₂ during combustion, is one of the keys to decarbonization. We are taking the lead in building a hydrogen value chain in the U.S., where decarbonization-related measures are rapidly advancing, by utilizing the wealth of knowledge and technology accumulated as an industrial gas

manufacturer in the production, storage, transportation, and use of hydrogen gas. At the same time, we are working with local governments and industry to contribute to carbon neutrality by utilizing our nationwide bases in Japan.

Invested in U.S. hydrogen station developer/operator

Our Group has invested in FirstElement Fuel, Inc. (FEF), the largest developer and operator of hydrogen stations in California, USA. In addition to supporting FEF's goal of establishing a network of 80 hydrogen stations in the state by 2024, we will provide the solutions necessary to operate hydrogen stations, including liquefied hydrogen tanks and liquefied hydrogen trailers, and promote new initiatives related to the hydrogen supply chain in terms of production, sales, and distribution of liquefied hydrogen.



FEF's hydrogen station

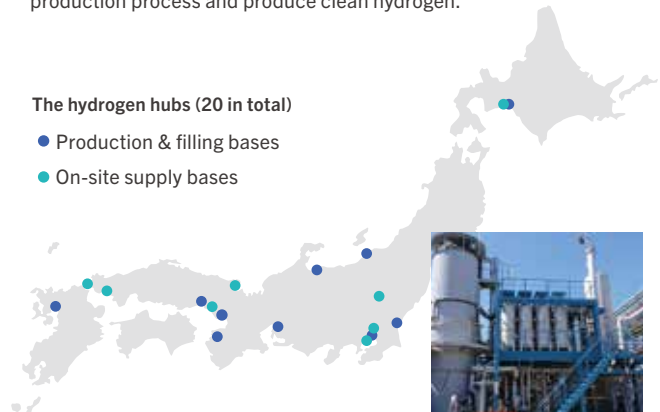
Building the onsite-based hydrogen supply chain in Japan

Our Group boasts nine on-site hydrogen gas supply sites and 11 compressed hydrogen production sites in Japan as one of the top hydrogen gas suppliers.

The "VHR" hydrogen gas production system, an on-site production method using natural gas steam reforming, is being deployed throughout Japan to clean up the supply chain for existing industrial applications and to meet the increasing demand for a future hydrogen energy society. In the future, we plan to recover CO₂ emitted during production process and produce clean hydrogen.

The hydrogen hubs (20 in total)

- Production & filling bases
- On-site supply bases



Hydrogen gas generator "VHR"

Producing CO₂-free hydrogen

1) Clean hydrogen energy from "cattle manure"

In April 2022, we launched Japan's only hydrogen production and supply business using carbon-neutral biogas derived from livestock manure in the town of Shikaoui, Hokkaido. To encourage the use of hydrogen as well, the town and local companies introduced fuel cell vehicles running on hydrogen derived from dairy cow manure.



Shikaoui Hydrogen Farm Co.

2) CO₂-free hydrogen from unused natural gas by DMR method

As adopted by the New Energy and Industrial Technology Development Organization (NEDO), we have started a hydrogen production demonstration in Toyotomi Town, Hokkaido, using the direct methane reforming (DMR)* method to generate hydrogen from methane-based natural gas associated with hot springs, without emitting CO₂ directly.



Natural gas extraction plant in Toyotomi

*DMR is a clean reaction that uses methane to generate hydrogen and solid carbon, such as carbon nanotubes, with an iron-based catalyst. A new production method that can produce so-called turquoise hydrogen is currently under development with TODA KOGYO CORP.



FOCUS 4

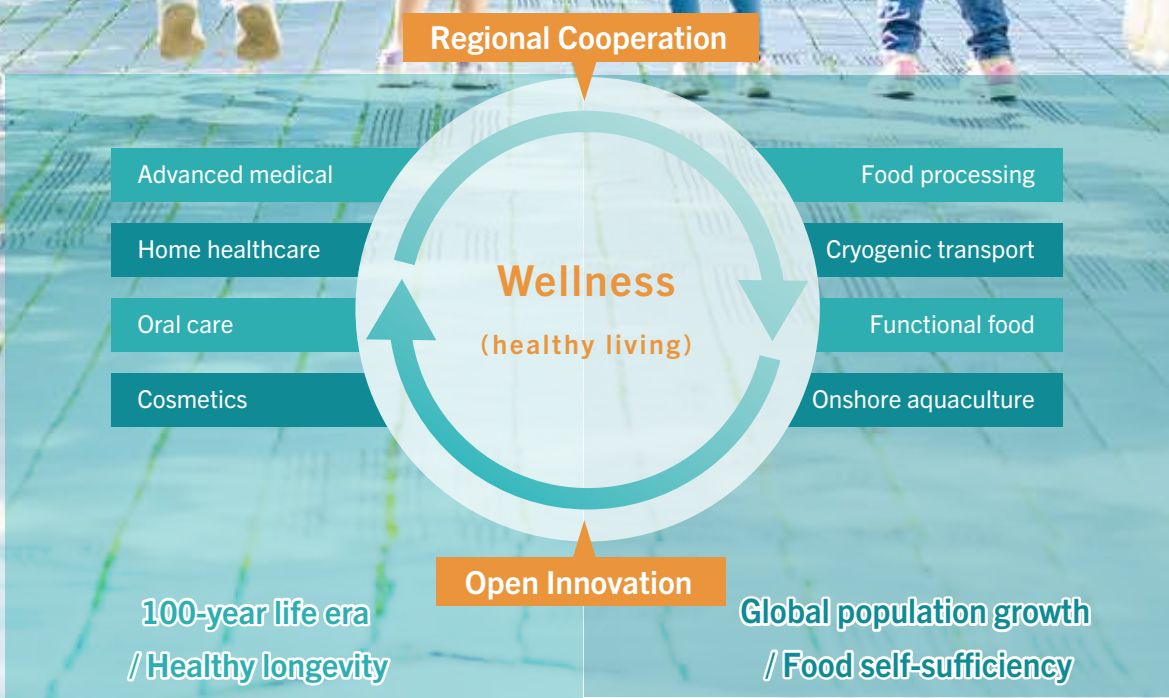
Incorporate Wellness into Growth

Solving social issues related to people’s wellness (healthy living) is the mission of the Air Water Group and an important area for growth.

As the super-aging society faces social issues such as the shortage of hospitals, working environment of healthcare professionals, and gap between average life and healthy life expectancy, our Group will contribute to extend healthy life expectancy not only through acute care but also through the healthcare business for prevention,

pre-symptomatic diseases, and rehabilitation outside hospitals.

When it comes to “food,” the basis for our healthy and fulfilling life, we see the long-term shortages given the growing population and climate change worldwide. In this context, we are committed to improving food self-sufficiency through our business such as “fruit and vegetable distribution and processing platform” and “land-based aquaculture platform.”



Case 1. Enhance the “fruit and vegetable distribution and processing platform”

Our agribusiness (agriculture & processing) is based in Hokkaido, the largest producer of agricultural products in Japan. Based on our strong ties with growers through contract cultivation and procurement of raw vegetable materials, we have developed a system to process agricultural products into the required form and supply them in a timely manner, thereby opening up new sales channels. We are particularly reinforcing our “fruit and vegetable distribution and processing platform” by leveraging our logistics capabilities to link production areas with consumption areas and our technologies to preserve freshness with industrial gases.

Meanwhile, as food security and self-sufficiency become social issues, stable supply is getting more important in the domestic fruit and vegetable market due to decreas-

ing farmers and more frequent abnormal weather.

With this context, in February 2023, we have started partnering with VEGETECH Co., a fruit & veg trading company engaged in processing and intermediate wholesaling, and DELICA FOODS HOLDINGS CO., which sells whole/cut vegetables for commercial use. We are working to stably supply Hokkaido vegetables from our Group to the both companies, build raw material storage bases in preparation for the “2024 problem” in logistics, and expand new production areas to diversify production area risks.

In October 2023, we acquired 51% of the shares of Marushin Seika Co. which is the largest middle wholesaler in the Fukuoka City Central Wholesale Market and has a wide sales channel to mass merchandisers,

food manufacturers, and restaurants, and thus became our group company. We are expanding our fruit & vegetable network in Kyushu, which can complement the off-season of Hokkaido, and making a stable supply by decentralizing production areas. We will also collaborate with the Kumamoto Low Temperature Logistics Center, starting in February 2024.

Such collaboration with industry giants strengthens our procurement network and enhances the fruit and vegetable platform that has a value chain and logistics network from processing to sales. We are committed to contributing to the development of sustainable domestic agriculture, connecting production areas with dining tables, creating a rich food culture in response to the times, and contributing to people’s wellness.



Case 2. Industrialize onshore aquaculture

With declining natural fish catches and an aging and decreasing number of fishermen, sea-based aquaculture, the mainstay of aquaculture, is facing limitations in increasing production, as well as environmental problems such as the accumulation of uneaten feed on the seafloor, which leads to water pollution.

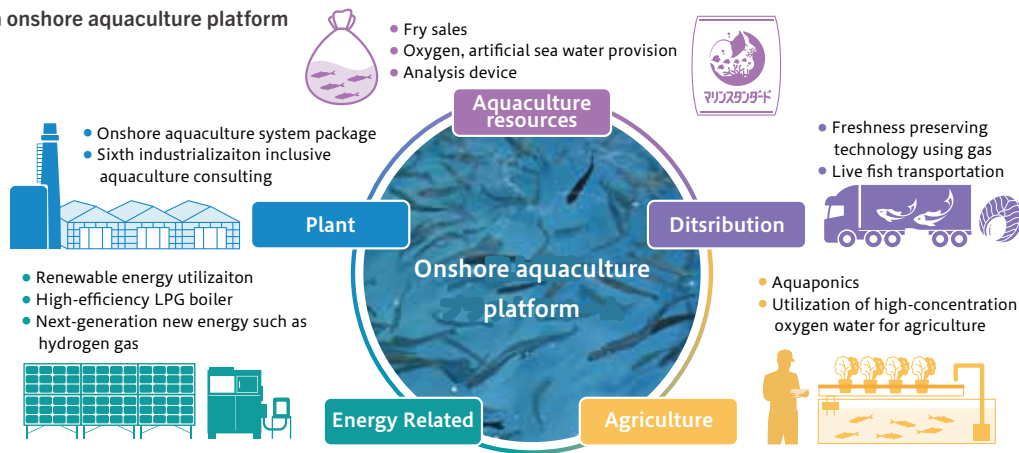
To address these social issues, our Group started onshore salmon farming from May 2023 in Higashikagura Town, Hokkaido, under a breeding environment suitable for cold climates. We offer the “onshore aquaculture

platform,” an all-in-one package from plant design to operation and maintenance, taking advantage of the Group’s unique strengths in technologies such as remote monitoring and freshness maintenance, in addition to oxygen, energy, and artificial seawater, which are essential for aquaculture.

At the “Nature’s Blessing Farm Matsumoto” (Matsumoto, Nagano Pref.; scheduled to open in FY2024), we will begin test cultivation of salmon and whiteleg shrimp in a semi-enclosed smart onshore aquaculture plant that

uses well water, and will develop ancillary equipment and consumables to increase efficiency. This small-scaled, semi-closed cycle plant of smart onshore aquaculture can save initial investment and be used across Japan as a model for local production for local consumption. By industrializing the onshore aquaculture, we are looking to provide people with easy access to delicious fish and contribute to food self-sufficiency.

Building an onshore aquaculture platform



Case 3. Extend healthy life span through pulp regeneration

Oral health has received particular attention in recent years because of its close connection to physical health. One of the keys to a long and healthy life is to keep “own teeth” as long as possible. Aeras Bio Inc. in our Group commercialized pulp regeneration therapy first in the world in 2020, which is a new treatment for teeth that have lost their pulp due to severe decay and injury. Partnering with RD Dental Clinic (by Medical Corporation Kenko Mirai), the treatment is now available across Japan. Furthermore, Aeras Bio has developed a banking system to collect, culture, preserve, and transport dental pulp stem cells from unused teeth in collaboration with dental clinics nationwide. Cultured stem cells are expected to be used not only for pulp regeneration ther-

apy, but also for future regenerative therapy to restore organs and tissues that have lost function due to disease or injury. (As of November 2023, there are 17 clinics in Japan that offer pulp regeneration therapy and 182 partner clinics that perform extractions for pulp stem cell banking.)

In June 2023, a treatment that regenerates even the dentin, which surrounds and protects the pulp, was put to use. Covering the regenerated pulp with stronger dentin is expected to strengthen the entire tooth, seal gaps, and prevent reinfection.

In addition, clinical research is underway with the aim of commercializing around 2027 the “other family pulp regenerative therapy” using cells from family members within the

second degree of kinship. Since it is possible to transplant cells taken from one unwanted tooth into many people, further research is ongoing to cultivate quality cells in large quantities. In this way, our Group is establishing a new dental practice for oral health and aiming to contribute to the wellness (healthy living) of more people.



A facility that models the society we aim for, in both Global Environment and Wellness. “Nature’s Blessing Farm Matsumoto”

In October 2022, we started construction of a facility to develop a resource-recycling model that enables local production for local consumption of energy, named “Nature’s Blessing Farm Matsumoto” in Nagano Prefecture, which is planned to complete in 2024. The facility consists of a “biomass gasification & power generation plant,” a “methane fermentation plant,” a “smart onshore aquaculture plant,” and a “smart agricultural house.” They utilize the unused biomass resources generated in the region to produce gas and electricity, and use the heat and carbon dioxide gas produced in the process for onshore aquaculture and agriculture. This model facility symbolizes the society we aim for in terms of both Global Environment and Wellness.

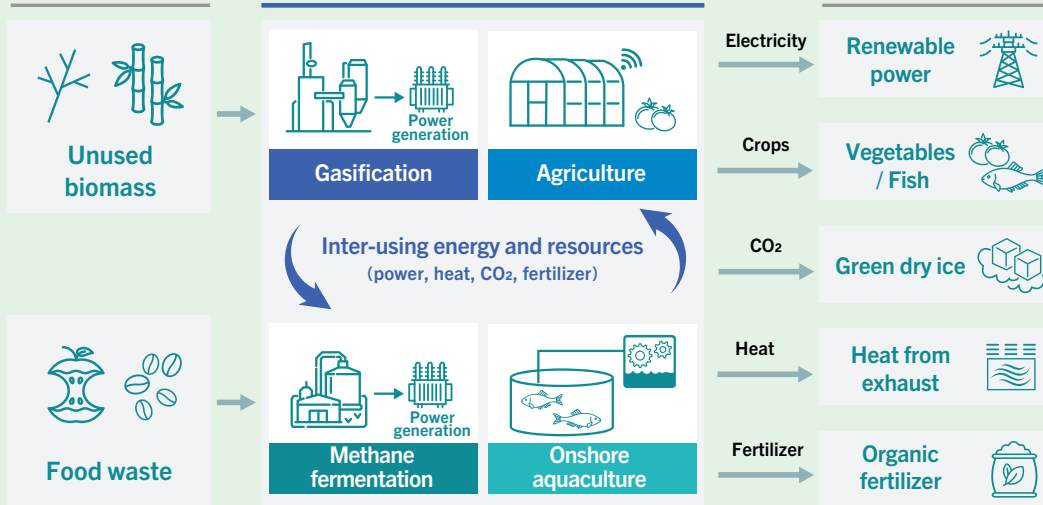
In the biomass gasification & power gener-

ation, we use bamboo and pruned branches, which tends to become waste in the region, as fuel for power generation. It adopts the first biomass gasifier in Japan that does not generate tar. The plant is going to accept all types of unused wood, including forest residues and thinned wood, as well as general wood waste generated in Matsumoto City. In the methane fermentation, we will collect local food waste, turn it into biogas, and use it for energy and power generation. The residue is then used as fertilizer without waste. Aquaculture and agricultural wastes are also reused as raw materials for biomass gasification power generation and methane fermentation.

In the onshore aquaculture that uses artificial seawater, we will cultivate salmon and whiteleg shrimp. In the agricultural house,

we will work on optimizing the growing environment for tomatoes, strawberries, etc., by promoting photosynthesis with carbon dioxide gas and utilizing a system of programming the cultivation methods of skilled farmers. In the future, we look to expand the verified resource-recycling model to other regions in a form that matches local issues, along with our products such as oxygen, carbon dioxide, and artificial seawater, which are essential for onshore aquaculture and agriculture. We are further working to realize and balance a decarbonized society, people’s healthy lifestyles, and our business expansion.

Local resources Nature’s Blessing Farm Matsumoto



Biomass gasification & power generation facility



Onshore aquaculture plant

Technology Strategy

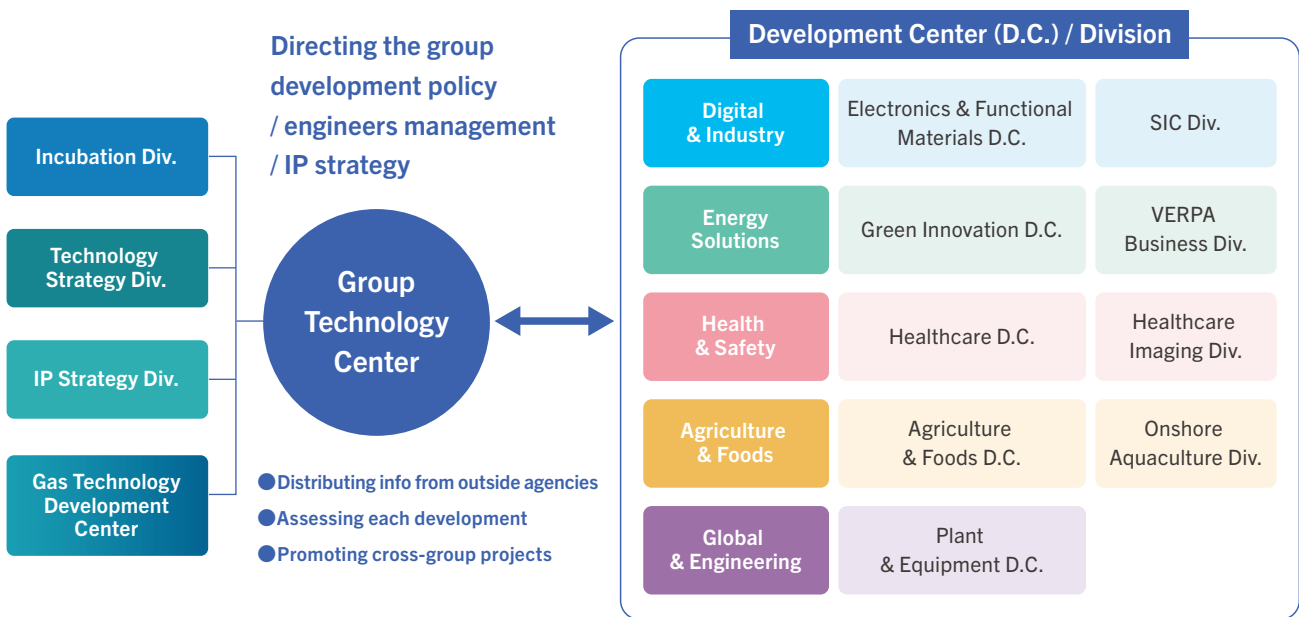
For Air Water, technological development capabilities are the source of solutions to add value to products and services and to meet customer needs, and are an essential strategic axis for creating new businesses that contribute to solving social issues.

Technology development structure

Our Group has more than 38 R&D locations, and a wide variety of R&D activities are carried out there. In terms of the R&D structure, the Group Technology Center (GTC) functions as the Group’s strategic platform, integrating company-wide technology strategies, and is responsible for cross-sectional management of R&D in each business including assessment, IoT, AI, intellectual property management, and training of engineers. In July 2023, we established a “Development Center” in each business group to speed up and improve the efficiency of R&D by linking business needs and de-

velopment more directly. We also set the “Healthcare Imaging Div.” and the “Onshore Aquaculture Div.,” which have entered the commercialization phase, to accelerate the launch of our business.

At the same time, the “Gas Technology Development Center” was opened in the GTC. The center promotes the development of gas technology, which is the foundation of all businesses and a source of synergy, especially in various gas applications including those in the electronics, food preservation and transportation, and medical and bio-related fields.



Basic policy of our strategy

1. Make technology a growth driver

Will promote rapid commercialization of development themes through assessment by GTC and use of Stage Gates. Elevate the Group’s engineering through synergies from dispatching technical information, industry-government-academia collaboration, and enhanced corporate branding.

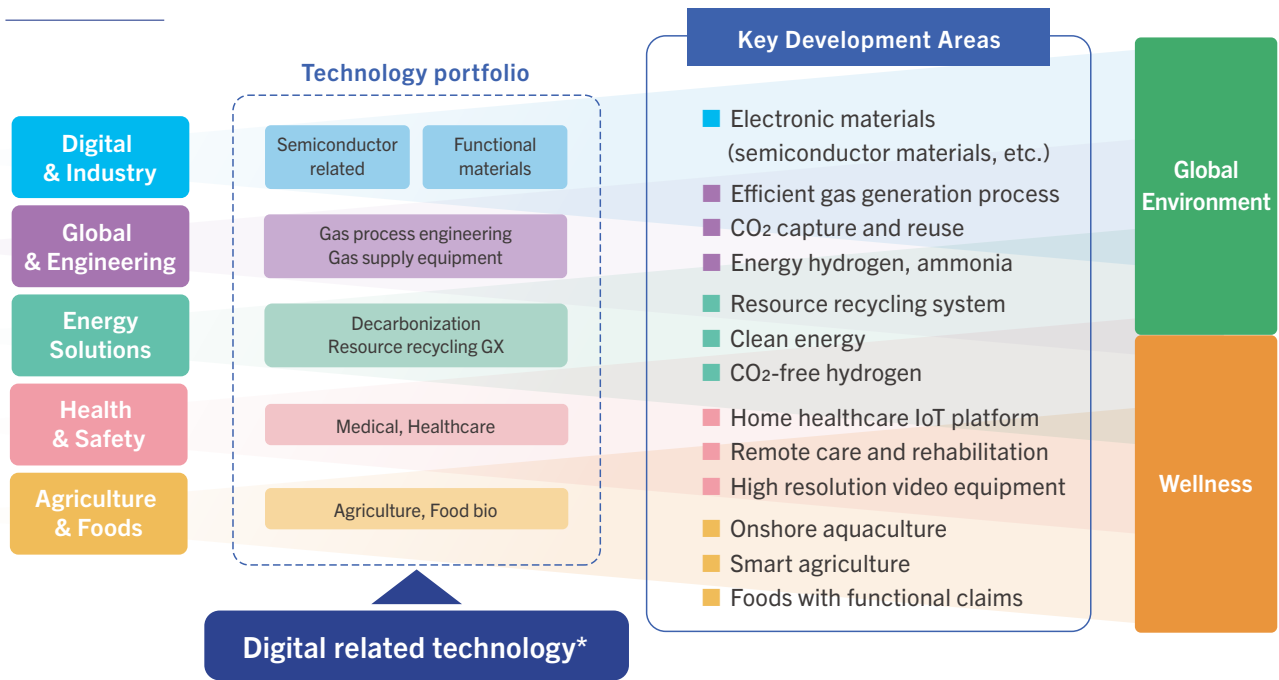
2. Develop gas application for new business

Will develop application technologies, led by the Gas Technology D.C., to create new gas demand in the electronics, food preservation/transportation, medical, and bio-related fields, as a catalyst for new business.

3. Plan and promote technical talent strategy

Will centrally manage the skills of the Group’s engineers and promote hiring, skill identification, training, and placement of the right person in the right job.

R&D themes



*We acquired digital-related elemental technologies such as sensing (light and sound), image processing, and remote communication control, by integrating the R&D department (approx. 70 people) of a major electronics manufacturer in the past few years. By incorporating them with our existing technologies and businesses in industrial gas, medical, agriculture and food, we are working on tech innovation to create new businesses.

Development & information hubs of the Air Water Group

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 improving brand power through information dissemination and enhancing human capital through the process of creating new businesses with technology, as well as technology development through the promotion of open innovation.



Opened
in Sept.
2019

Birthplace of the pulp regeneration treatment

International Advanced Medical Center @Kobe

R&D center to create new products and services for healthy “living” for people



Opened
in Sept.
2023

For experiencing and co-creating a healthy lifestyle

Air Water Kento

A place to create a wide business related to “wellness” in the 100-year-life era, contributing to a longer healthy life



Opening
in Oct.
2024

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 2024

Circulating resources, energy, agriculture, and aquaculture

Nature's Blessing Farm Matsumoto

A facility that models a carbon-neutral, recycling-oriented society where energy is locally produced and consumed in four plants: biomass gasification & power generation, methane fermentation, smart onshore aquaculture, and smart agriculture

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 business portfolio is now able to generate sustainable and stable growth, regardless of changes in the business environment.

GLOBAL ENVIRONMENT

Digital & Industry

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

Industrial Gases

- Industrial gases (oxygen, nitrogen, argon, carbon dioxide, hydrogen, helium, etc.)

Electronics

- Large-scale nitrogen gas supply for semiconductors
- Specialty gases and chemicals
- Gas purifiers, equipment for semiconductor production processes
- Chemical products for semiconductor manufacturers

Functional Materials

- Electronic materials, circuit products, precision polishing pads
- O-rings
- Basic chemicals (e.g., organic acid products)
- Chemicals for food (sodium acetate)
- Magnesia

Energy Solutions

Retails LP gas for residential use mainly in Hokkaido and Tohoku areas. Also develops fuel conversion and LNG-related businesses amid growing demand for low-carbon and decarbonized energy. Furthermore, 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 CO₂ capture and reuse.

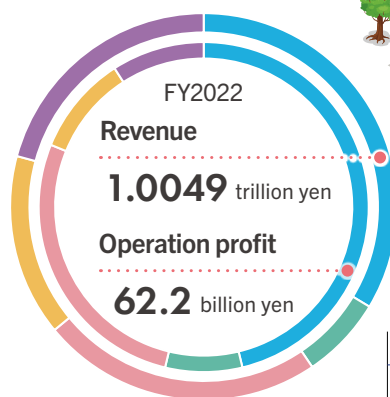
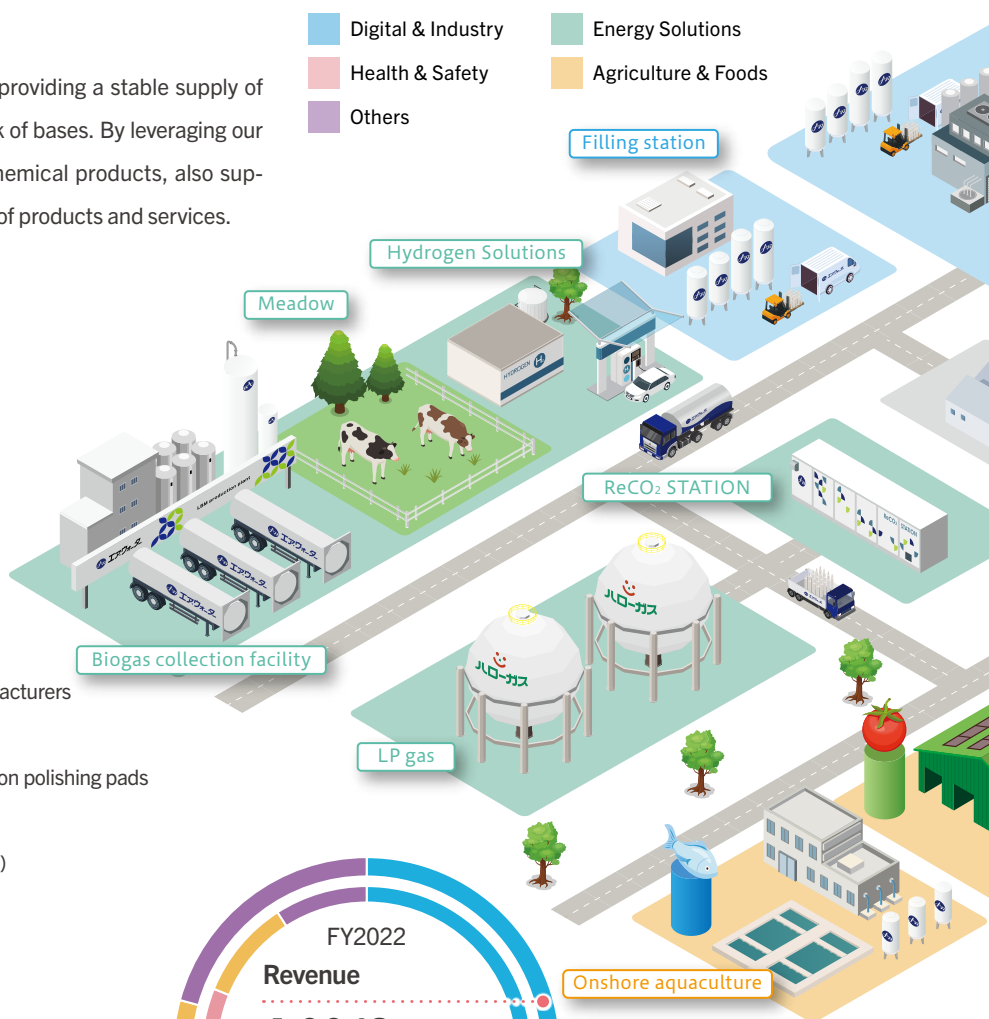
Energy

- LP gas and kerosene sales
- LP gas related equipment
- LNG related equipment

Green Innovation

- Low-carbon/decarbonization business development (CO₂ recovery, hydrogen energy, LNG, etc.)

- Digital & Industry
- Health & Safety
- Others
- Energy Solutions
- Agriculture & Foods

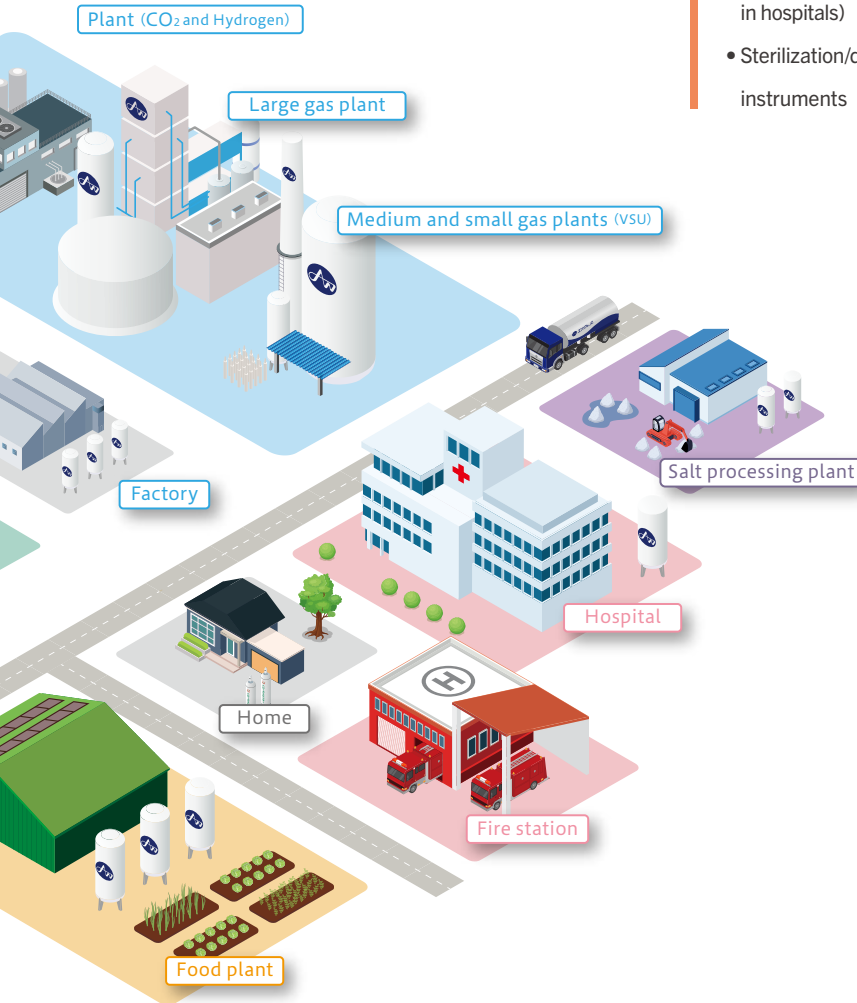


	FY2022(Results)		FY2023(Plan)	
	Revenue	Operating profit	Revenue	Operating profit
Digital & Industry	338	26.1	363	33.2
Energy Solutions	69.2	4.3	70	4.6
Health & Safety	236	15.5	245	17
Agriculture & Foods	152.8	5.5	173	7.2
Others	208.9	5.1	229	11.4
Adjustments		5.7		▲1.4
Total	1,004.9	62.2	1,080	72

*Adjustments: Elimination of intersegment transactions and profit/loss of the Company's headquarter divisions not allocated to each segment

Health & Safety

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 people's health and safety by developing businesses in home health care, oral care, consumer health, and safety services.



OTHERS

Includes (1) "Logistics," which operates a 3PL business utilizing cryogenic controlled transportation technology and medical logistics, (2) "Seawater," which expands its salt manufacturing technology to artificial seawater and environmental business, and (3) "Global & Engineering," which develops industrial gas business in North America and India and globally supplies high-power UPS (uninterruptible power supplies) used in data centers and other facilities.

Medical Products

- Medical gas (oxygen, carbon dioxide, helium, etc.)
- Medical equipment
- Home healthcare
- Dental materials

Medical Services

- SPD (centralized supply, processing and distribution of medical supplies in hospitals)
- Sterilization/disinfection of medical instruments

Consumer Health

- Sanitary materials
- Aerosol
- Needles

Safety Services

- Design/construction/maintenance of medical gas piping, operating rooms, and ICUs
- Manufacturing/sale of fire extinction equipment and breathing apparatus

WELLNESS

Agriculture & Foods

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

Foods

- Ham delicatessen
- Frozen food
- Sweets

Natural foods

- OEM of beverages such as vegetable and fruit-based

Agriculture

- Vegetable processing
- Farmer's markets, wholesale fruits/vegetables
- Manufacturing/sale of agricultural machinery

Logistics

- Transportation (general logistics, chassis transport)
- Food logistics
- Medical & environmental logistics
- Vehicle modifications

Seawater

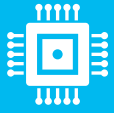
- Production/sale of commercial salt

Global & Engineering

- On-site gas supply for steel
- Lorry and cylinder supply
- Industrial gas equipment (cryogenic equipment, hydrogen, carbon dioxide gas, etc.)
- Engineering
- High-power UPS

Electric power

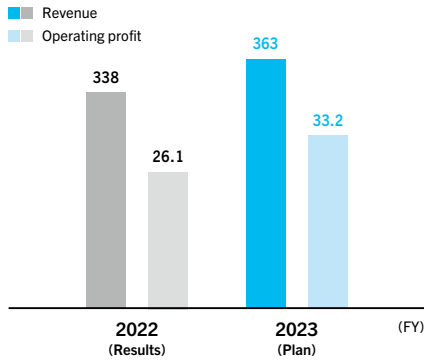
- Wood biomass power generation



Digital & Industry

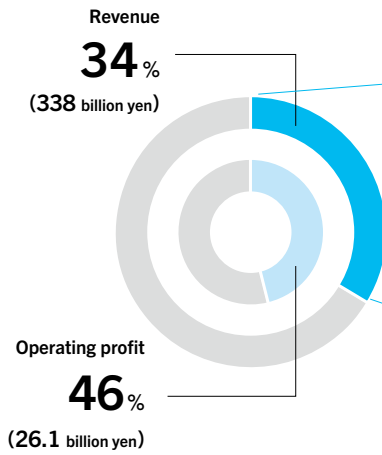
Revenue · Operating profit

(billion yen)

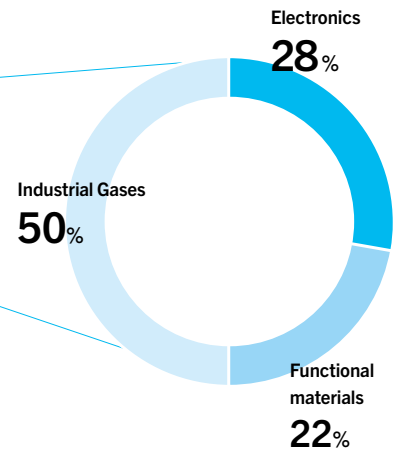


Operating Profit Margin
 FY2022 7.7% ▶ FY2023(Plan) 9.1%

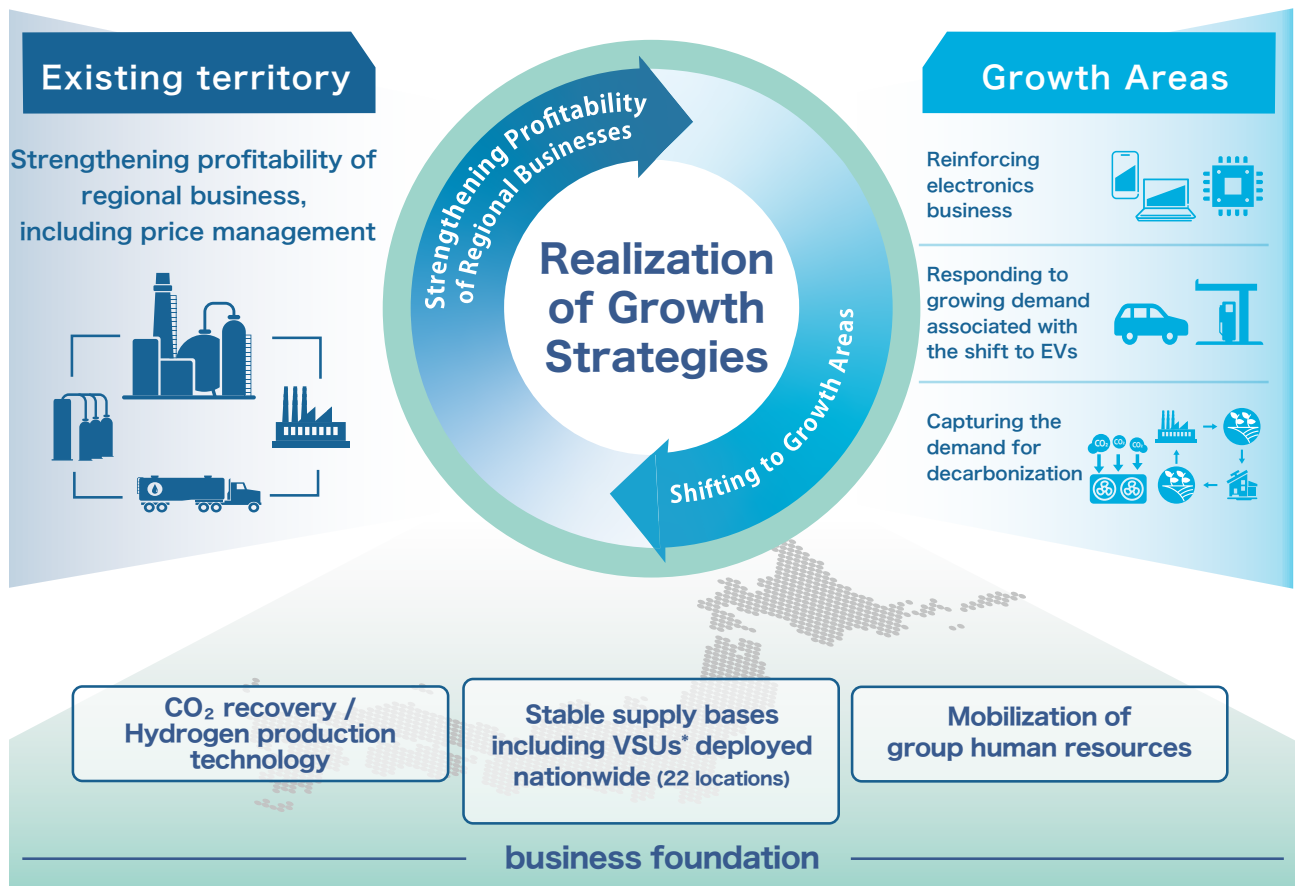
FY2022 Revenue and operating profit composition (out of companywide results)



FY2022 Revenue composition ratio by unit



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
- Technologies for gas supply and engineering, such as air separators, hydrogen production, CO₂ recovery, etc.
- Product lineup that supports the semiconductor manufacturing value chain, such as chemical materials and related equipment in addition to industrial gases
- Specialty chemical products with top domestic market share (Magnesia for electromagnetic steel sheets, phthalic anhydride, sodium acetate)

External Environment

★ Opportunities

- ★ Expanding demand for semiconductors and EV-related products driven by digitalization
- ★ Expanding demand for CO₂ capture, hydrogen, and decarbonization-related products

■ Risks

- Impact on manufacturing and sales due to fluctuations in demand for semiconductors and other electronics-related products
- Impact on product costs due to changes in electricity costs
- Reduced carbon dioxide and argon sources through consolidation of refineries and blast furnaces

- ★ Expanding demand for semiconductors and EV-related products driven by digitalization
- ★ Expanding demand for CO₂ capture, hydrogen, and decarbonization-related products
- Impact on manufacturing and sales due to fluctuations in demand for semiconductors and other electronics-related products
- Impact on product costs due to changes in electricity costs
- Reduced carbon dioxide and argon sources through consolidation of refineries and blast furnaces

Mid-to Long-Term Policy / Growth Strategy

1 Strengthening Profitability

- Ensuring price management for the higher value of products and services
- Responding to gas demand by expanding and optimally locating facilities, including carbon dioxide sources and argon production facilities
- Improving operational efficiency through integration and reorganization of group companies in the electronics and logistics fields
- Reallocating personnel to growth areas such as the environment and electronics

2 Reinforcing Electronics B.U.

- Adding on-site gas supply plants to accommodate factory expansion by major semiconductor device manufacturers
- Boosting sales of chemical materials and supply equipment along the expanding on-site gas supply
- Developing semiconductor and electronic materials by integrating expertise in the electronics and functional materials fields

3 Bolstering Carbon Neutrality


- Developing a stable supply system for hydrogen unaffected by trends in raw material sources, utilizing the high-efficiency hydrogen generator “VHR2”
- Installing a CO₂ recovery system to recover the CO₂ generated during the production of hydrogen from city gas to achieve clean hydrogen production
- Producing and selling oxygen, nitrogen, and argon using green power

TOPICS

Manufacturing base strategy with our hydrogen gas generator, “VHR”

Our Group has a production and supply network with nine on-site hydrogen gas supply sites and eleven compressed hydrogen production sites, which are among the best in Japan. We also develop our own hydrogen gas generator “VHR”, which achieves the world’s highest level of generation efficiency and reduces environmental impact. Currently, we are installing VHR when renewing or building new production facilities. We are building

a stable supply system that is less susceptible to trends in raw material sources, and at the same time, we are promoting a manufacturing base strategy to capture the growing demand for hydrogen against the backdrop of decarbonization. In addition, since VHR utilizes steam reforming process of natural gas, we plan to install a CO₂ recovery system in the future to make hydrogen cleaner and expand our carbon dioxide gas production bases.

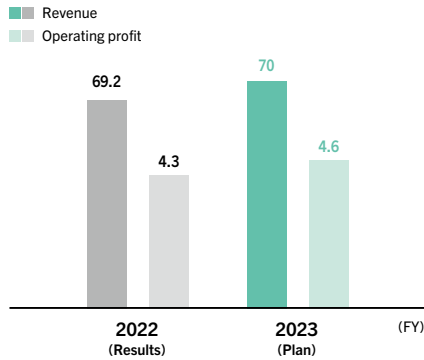




Energy Solutions

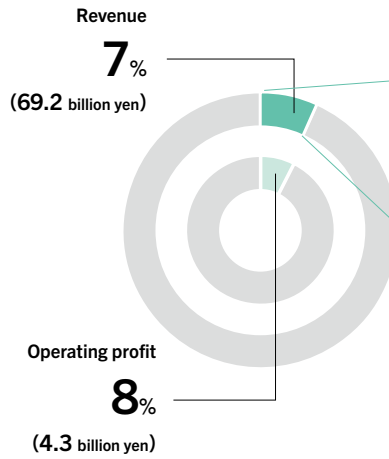
Revenue · Operating profit

(billion yen)

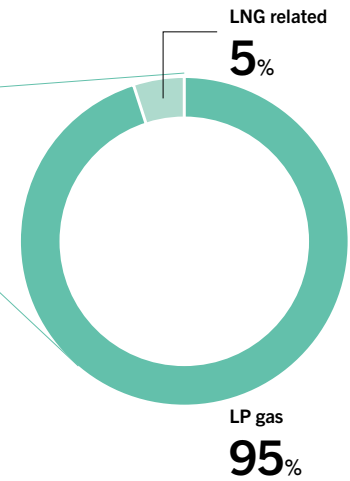


Operating Profit Margin
 FY2022 6.2% ▶ FY2023(Plan) 6.6%

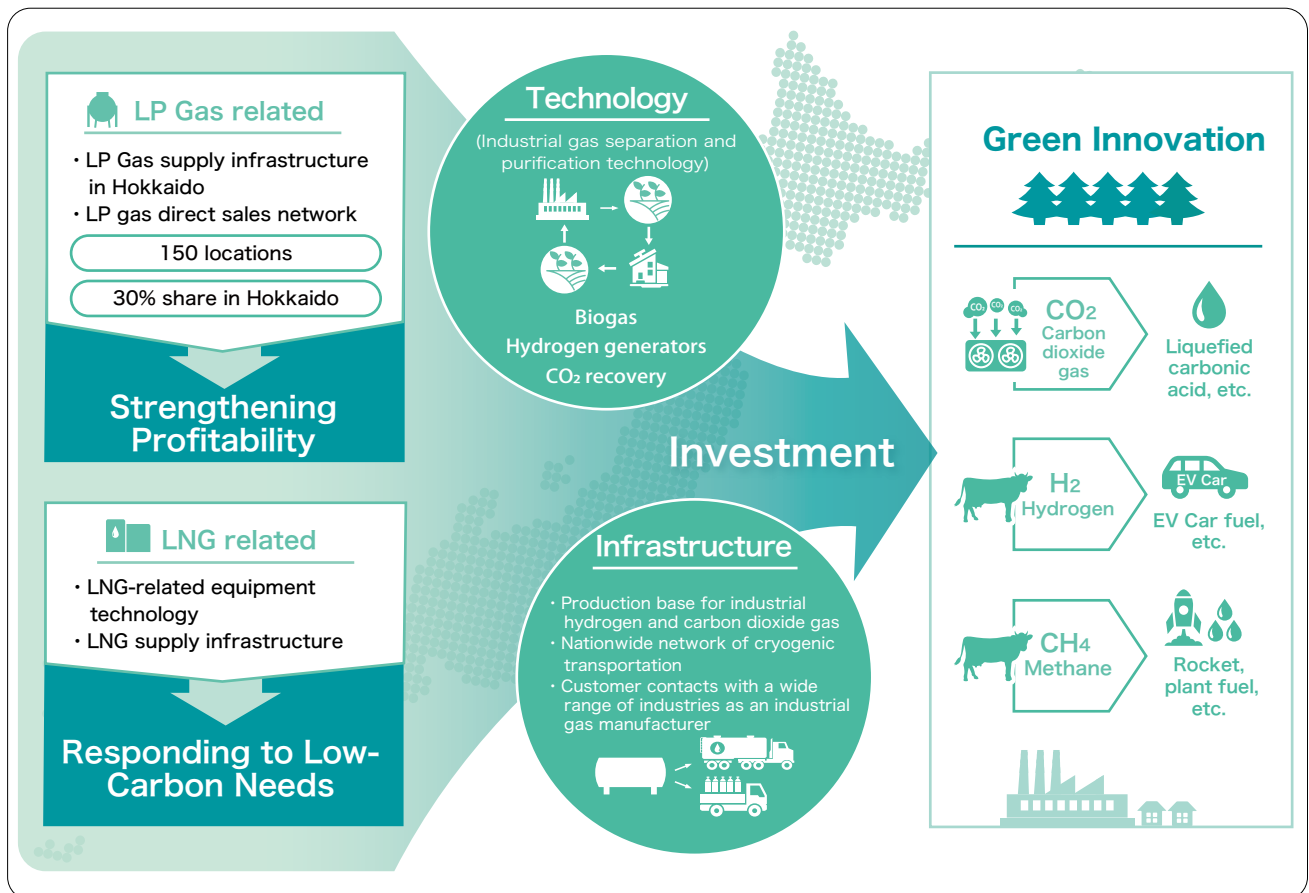
FY2022 Revenue and operating profit composition (out of companywide results)



FY2022 Revenue composition ratio by unit



Business Development Outline



Competitive Edges

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

Decarbonization technologies, such as CO₂ capture and hydrogen, cultivated in the industrial gas business

Supply infrastructure of LP gas covering 99% of Hokkaido area (filling, distribution, sales offices)

External Environment

★ Opportunities

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

■ Risks

- Decreasing demand for LP gas and kerosene due to shrinking population and global warming

Mid-to Long-Term Policy / Growth Strategy

1 Strengthening Profitability

- Improving efficiency of LP gas delivery, filling, and metering operations through IoT
- Optimizing prices for delivery fees, filling fees, etc.
- Improving operational efficiency through integration and reorganization of delivery and filling bases and group companies

2 Responding to Low-Carbon Needs

- Promoting fuel conversion and expanding sales of LNG-related equipment against the backdrop of low-carbon and decarbonization trends


3 Switching to a Carbon-Neutral Energy Business

- Creating new businesses responding to climate change issues, such as CO₂ capture/reuse, biogas, and liquefied biomethane
- Establishing a resource-recycling energy supply model of local production for local consumption based on LP gas supply network and industrial gas customer contacts
- Boosting sales of vertical solar power system “VERPA”

TOPICS

Pioneered the world’s first vertical solar power system “VERPA,” installable in parking areas, etc.
- vertical type, space saving, and even fits heavy snow areas -

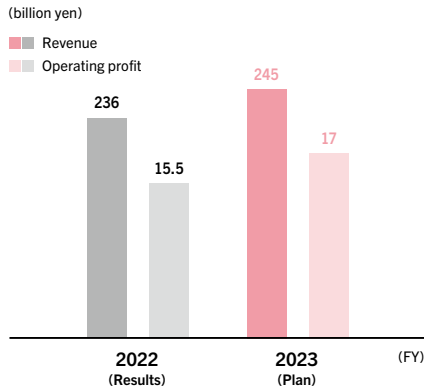
We have developed the vertical solar power system “VERPA” in cooperation with Luxor Solar (Germany). This is the world’s first innovative system that can be used in conjunction with other applications such as parking lots, since it requires less installation area than the usual flat or sloped type and has a height of more than 2 meters from the ground surface to the bottom of the module. Besides, the double-sided power generation makes the output almost the same as that of the sloped type, and its vertical position makes it resistant to snow.





Health & Safety

Revenue - Operating profit

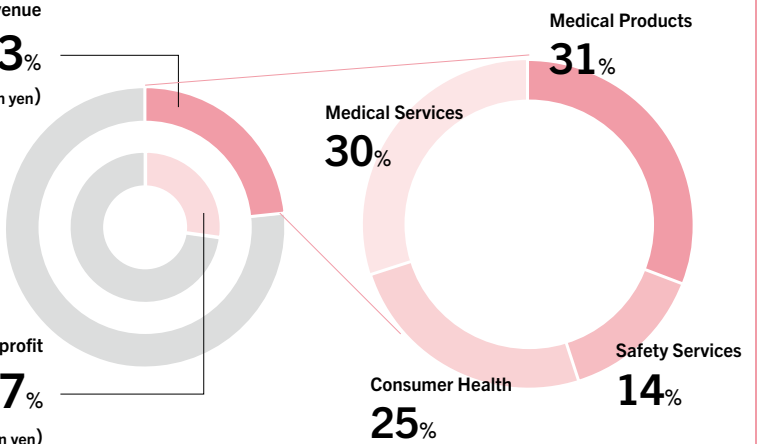


Operating Profit Margin
 FY2022 6.6% ▶ FY2023(Plan) 6.9%

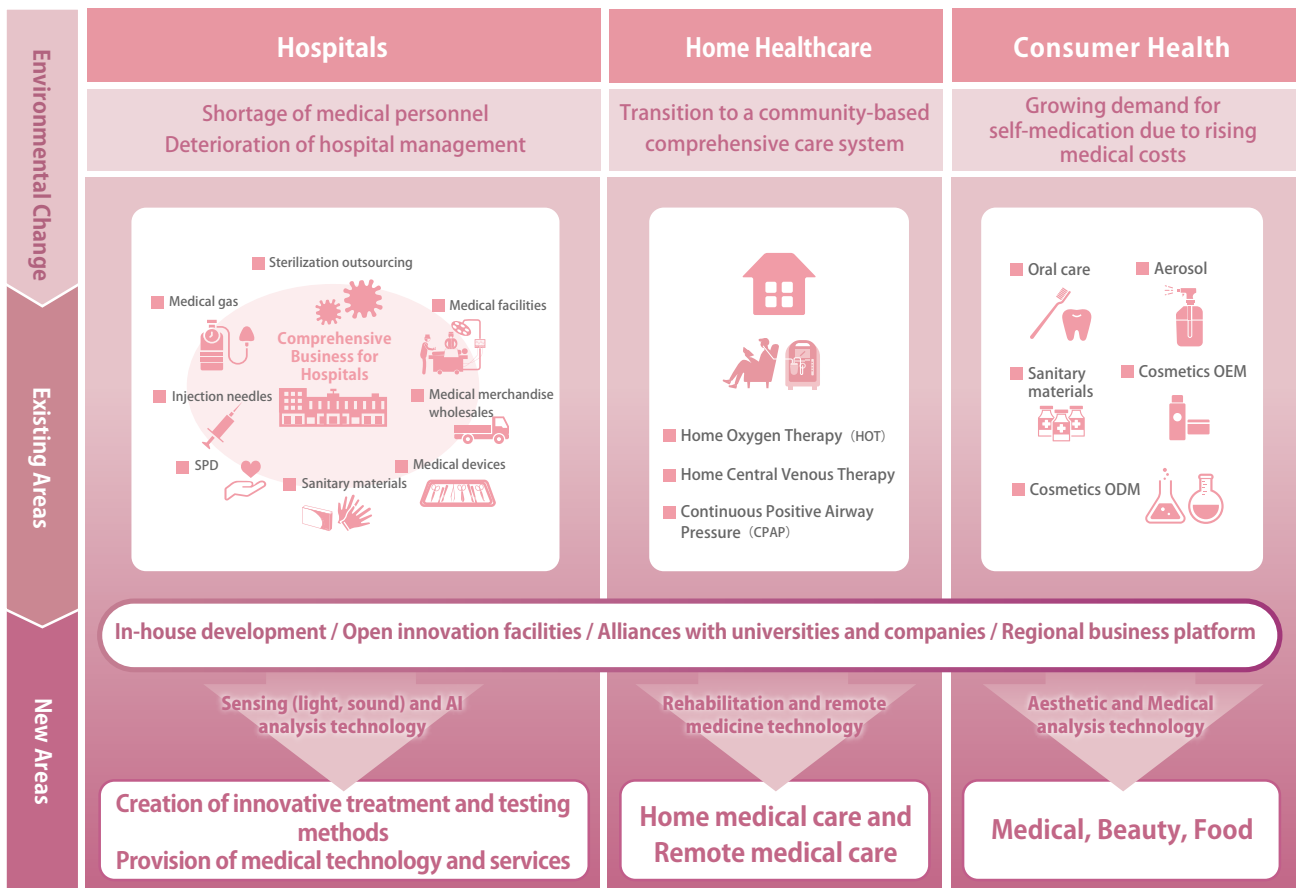
FY2022 Revenue and operating profit composition (out of companywide results)



FY2022 Revenue composition ratio by unit



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 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

■ Risks

- ★ Growing needs for more advanced medical equipment at medical institutions and more efficient hospital operations
- ★ Spreading needs for community-based comprehensive care and home medical care
- ★ Growing needs for nursing care and preventive medicine
- ★ ■ Ongoing digital transformation in medical
- ★ ■ Curbing of medical costs in Japan

Mid-to Long-Term Policy / Growth Strategy

1 Strengthening Profitability

- Adjusting prices to reflect rising costs of materials and labor, including medical gas and equipment construction
- Reducing costs through self-manufacturing in consumer health (injection needles, sanitary materials)
- Improving productivity through labor-saving investments in safety services and aerosols
- Streamlining business sites for hospitals by integration/reorganization

2 Bolstering the hospital business by reorganizing group companies

- Integrating development, manufacturing, sales, and maintenance of medical equipment and nursing care products, etc.
- Developing medical equipment using digital technology

3 Expanding home healthcare & consumer health

- Creating new services for home rehabilitation
- Expanding OEM in injection needles
- Expanding OEM/ODM in cosmetics

4 Reinforcing the Safety Services

- Responding to strong demand for data centers and shipbuilding in the gas fire extinguishing field

TOPICS

Established an integrated system for development, manufacturing, sales, and maintenance of medical equipment. Now advancing more needs-driven development, such as ultra-fine rigid endoscopes.

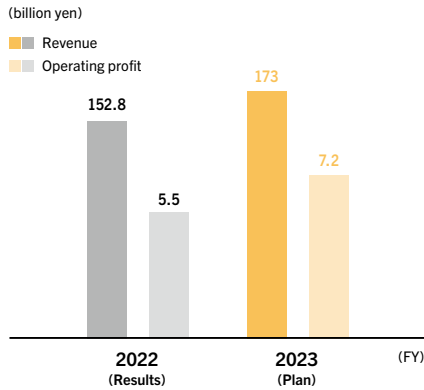
In July 2023, we have concentrated the medical business resources in our Group, including personnel and technology, into Air Water Medical Inc. Positioning it as a core company in the medical business, we have built an integrated structure from development to manufacturing, sales, and maintenance in order to enhance our manufacture’s capabilities. It allowed us to better capture various needs of the medical field. Working with the Healthcare Development Center and the Healthcare Imaging Division, we continue to create products such as the ultra-fine rigid endoscope that was jointly developed with Keio University.



*The photo below shows a comparison with a conventional rigid endoscope (right)

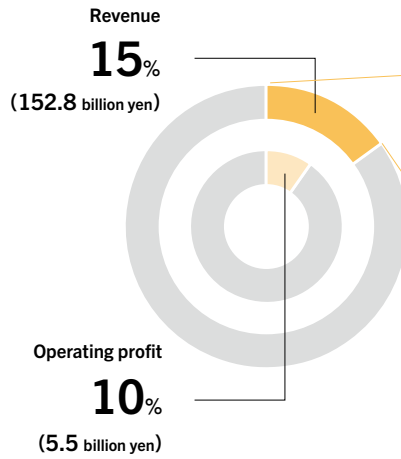
Agriculture & Foods

Revenue · Operating profit

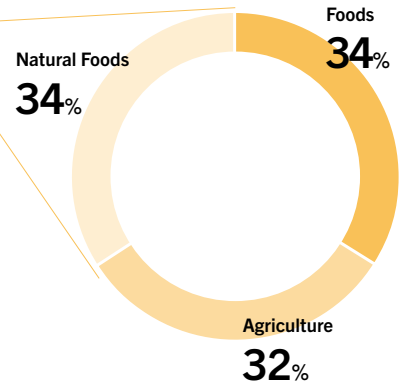


Operating Profit Margin
 FY2022 3.6% ▶ FY2023(Plan) 4.2%

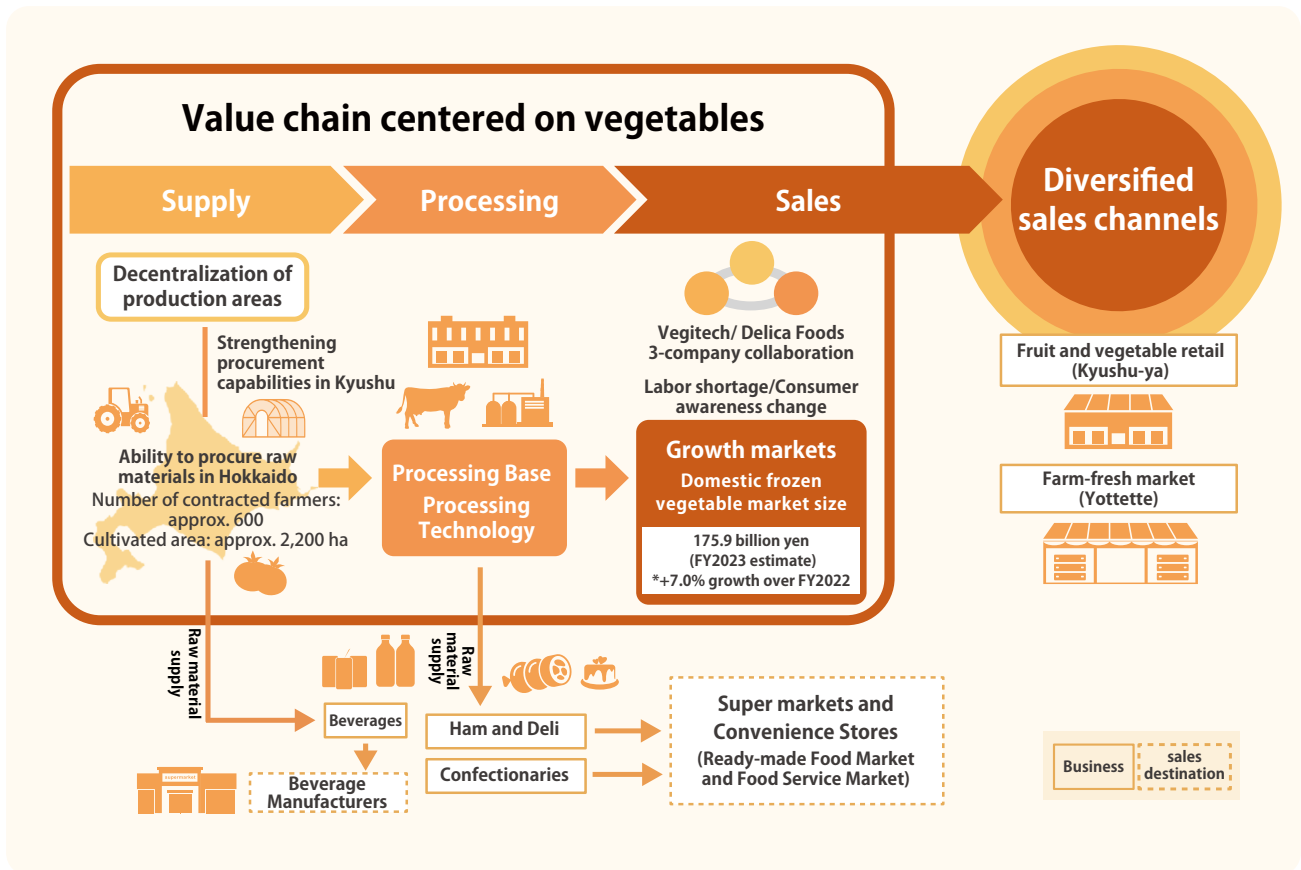
FY2022 Revenue and operating profit composition (out of companywide results)



FY2022 Revenue composition ratio by unit



Business Development Outline



Competitive Edges

- Stable procurement of raw vegetables through contract farming mainly in Hokkaido
- Nationwide logistics of fruits & vegetables and cryogenic transportation technology
- Extensive production and processing technologies for various food needs, from agricultural products to ham and sweets
- 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 (more healthy and quick)
 - ★ Farmer shortage amid the aging population and declining birthrate
 - ★ Expansion of the ready-meal and restaurant market
- **Risks**
 - Shortage of raw material vegetables due to weather and fluctuating price
 - Cost fluctuations in raw materials and logistics

Mid-to Long-Term Policy / Growth Strategy

1 Strengthening Profitability

- Optimizing production system (bases and 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
- Lowering logistics costs by leveraging the Group’s logistics infrastructure
- Adjusting prices in response to rising raw material prices

2 Stronger platform of the fruit and vegetable distribution/processing through capital alliances with two industry giants

- Utilizing three contract farmers and procuring channels. Also sourcing raw veggies by spreading production areas to Kyushu
- Selling the products of the three companies to each other and gaining more business partners, especially in the restaurant and ready-meal market
- Enhancing the fruit vegetable distribution and infrastructure business by the three’s logistics networks and bases
- Jointly developing freshness and food processing technologies

3 Delivering products that address needs and challenges of “food”

- Expanding products for home like packaged meals and frozen veggies for convenience stores
- Full-scale entry into the frozen sweets business
- Responding to environmental needs of customers by expanding circulating containers and paper container lines

TOPICS

From farm to table, three companies collaborate to enhance distribution and processing platform for fruits & vegetables

In February 2023, we started a three-company collaboration with VEGETECH Co.,Ltd. and DELICA FOODS HOLDINGS CO., LTD. Vegetech is a trading company specialized in fruits and vegetables for the processing and intermediate wholesaling. Delica Foods Holdings sells whole- and cut- vegetables for commercial use. With strengths of the three companies together, we will be enhancing the raw materials

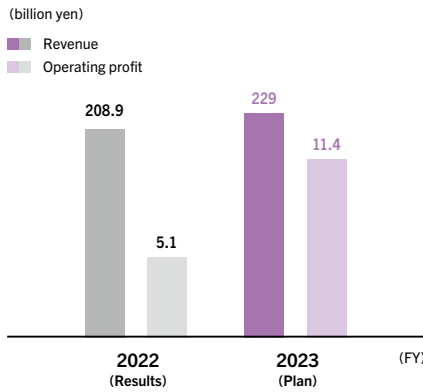
procurement and streamlining logistics. Through the three’s sales channels, we will bring the “food” of Hokkaido to the whole country. We will make the stronger distribution and processing platform of fruits & vegetables that connects producing areas and tables. Thereby we aim to provide a one-stop solution for food safety and security, as well as contribute to promoting local agriculture and reducing food loss.





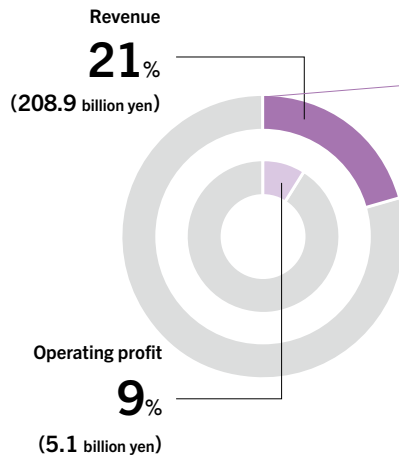
Logistics / Seawater / Global & Engineering / Electric Power

Revenue - Operating profit

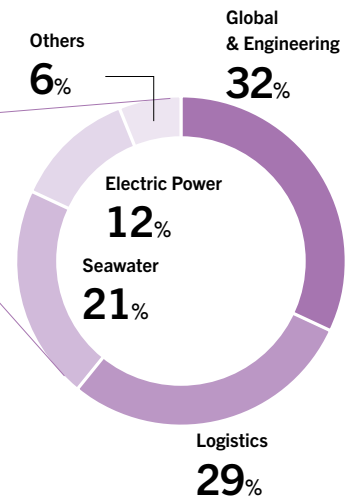


Operating Profit Margin
 FY2022 2.5% ▶ FY2023(Plan) 5.0%

FY2022 (out of companywide results) Revenue and operating income composition



FY2022 Sales composition ratio by unit



Business Fields (Value Chain)

Logistics

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

Our nationwide logistics network

Seven group companies

- 3,891 employees
- 102 sales offices
- 2,304 vehicles
- 44 warehouse sites

Chassis by ferry route

Kita-Kanto logistics center

Tomakomai logistics center

Seawater

Manufactures and sells industrial and household 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, and supply of artificial seawater there.



Global & Engineering (G&E)

Develops industrial gas-related businesses in India and North America, manufactures/sells equipment for industrial gases, as well as conducts engineering business. Also provides high-power UPS (uninterruptible power supplies) that is essential for data centers and semiconductor factories. See p.44 for more details.

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.

Competitive Edges

Logistics

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

Seawater

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

G&E

- Production system of cryogenic equipment (North America, Malaysia) and technology of plant engineering (India, North America)
- Rotary-type UPS with high market share and global maintenance system

External Environment

★ Opportunities

■ Risks

- ★ (Logistics) Increasing cargo volume with growing demand for e-commerce and recycling
- ★ (Seawater) Expanding need to renew social infrastructure such as water/wastewater
- ★ (G&E) Growing demand in India for industrial gases, including for steel production
- ★ (G&E) Growing demand for hydrogen and carbon dioxide gas equipment for decarbonization
- ★ (G&E) Expanding demand by more data centers and semiconductor plants
- (Logistics) Japan's 2024 problem (work hour regulation, driver shortage, etc.)
- (Seawater/E-power) Rapid market fluctuations 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 onsite projects for steel. Also establishing a supply chain including manufacturing and logistics infrastructure through expansion of sites

North America

- Building a network of gas production and sales bases by promoting M&As and JVs of industrial gas distributors in North America
- Building a foundation for decarbonization-related businesses such as liquefied hydrogen, carbon dioxide gas, etc.

High-Power UPS

- Developing high-power UPS with greater environmental performance to meet growing data center demand
- Expanding business areas to ASEAN, Taiwan, Japan, and other Asian demand areas by leveraging our engineering expertise in power systems

2 Reinforcing the foundation of the logistics business

- Establishing a cold chain by networking trunk line transportation
- Streamlining operations through IOT, such as dispatching and package sorting

3 Reinforcing the stable earnings structure of Nihonkaisui

- Strengthening profitability of existing businesses, including salt manufacturing, mainly by strict price management
- Expanding urban infrastructure business, primarily by upgrading sewer pipes
- Reducing the risk of market price volatility by more weighting domestic materials for biomass power generation and enhancing procurement

4 Reinforcing the earnings base of the wood biomass power business

- Reducing procurement costs and maintaining stable operations

TOPICS

Advanced engineering structure in place for expanding overseas business and electronics

To strengthen our engineering structure, at elevating our engineering technology to which is indispensable for industrial gas supply, we will establish a new general engineering center at the Sakai Plant. The center will integrate the development, design, fabrication, operation, and maintenance of industrial gas plants. We are also expanding our plant fabrication plants to approximately double our production capacity. We aim

at elevating our engineering technology to make a full range of deep-cooled air separation plants, from small to large scale, and enable our engineering system to handle larger equipment. That will allow us to accelerate the expansion of our industrial gas business in India and other overseas countries, as well as boost the production of our Group's major semiconductor device manufacturers.



Sakai Plant perspective drawing



Promoting Sustainability

Basic approach to sustainability

Our 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 the 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 our Group.





Our Group has established Materiality as an essential element for realizing its “Sustainability Vision,” which is the vision it aims to achieve in 2050, under its management philosophy and Purpose. Toward this milestone, “terrAWell30,” we will work to create new corporate value through the resolution of social issues and contribute to the reduction of the burden on the global environment, resource recycling, and the healthy lives of people.

Theme1 Human Capital Management

We develop next-generation management personnel, respect diversity (DE&I), and promote proactive choice of their own careers, for realizing “management that makes the most of people.”



Theme2 Environmental Initiatives

We commit ourselves to realize a “decarbonized society,” a “resource-recycling society,” and a “society where people and nature coexist” under our Environmental Vision 2050, and work to reduce our impact on the global environment.



Theme3 Human Rights

We are taking steps to fulfill our responsibility to respect human rights, including assessments to identify and evaluate potential human rights risks in our Group.



For more detailed sustainability data, please visit our website. (Key ESG data)
https://www.awi.co.jp/en/sustainability/esg_data.html

Human Capital Management

The Air Water Group will advance its human resource strategy, which is inseparable from its business strategy, in order to “create new corporate value by solving social issues,” and will move toward our 2030 target named “terrAWell30.”



Our vision for FY2030

terrAWell30

Promotion of integrated group management

Business Strategy

Human Resources Strategy

External Challenges

- Acceleration of global expansion
- Growing interest in “intangible assets”

Internal Challenges

- Increasing need for future management talent
- Necessity of early development of the next-generation management

Message from the Head of HR Strategy Office

Our Group aims to “create new corporate value by solving social issues” through synergies generated by leveraging our diverse businesses, human resources, and technologies in a creative manner. Among these, “human resources” plays the most important role. Our human capital investment is always based on “management that makes the most of human resources.” We are emphasizing in particular the four initiatives for the human resource strategy; “developing next-generation management,” “respecting diversity (DE&I),” “recurrent education,” and “promoting health management.” At the same time, our basic personnel policy encourages “independence and self-reliance,” “respect for the individual,” and “fostering a climate in which people can grow.”

We are working to address diversifying social issues such as global climate change and an aging society through activities in our two business domains of “Global Environment” and “Wellness”. To face and respond to increasingly complex social issues, diverse human resources must continue to improve and refine themselves. In other words, we must provide opportunities for each employee to think independently about their career and gain experience to realize the career of their choice. Under these circumstances, we have introduced an internal recruitment system



Executive Officer,
 Head of the HR Strategy Office

Kikue Inoue

Four Core Human Capital Investments of Air Water

1. Developing next-generation management
2. Respecting diversity (DE&I)
3. Recurrent education
4. Promoting health management

starting in FY2023 to expand opportunities for employees to make their own career choices by raising their hands, in addition to transfers carried out from an organizational perspective. We are working on to grasp information on human resources in the whole Group, promote personnel exchanges, and boost the mobility of our Group’s human resources. Also we, as one group, promote the hiring, selection, transfer, and training of management personnel who will drive future growth, such as by revamping our personnel system so that “employees who take on challenges” can grow and play active roles with a sense of fulfillment. At the same time, well-being of our employees will be enhanced by more benefit programs such as childcare and nursing care support.

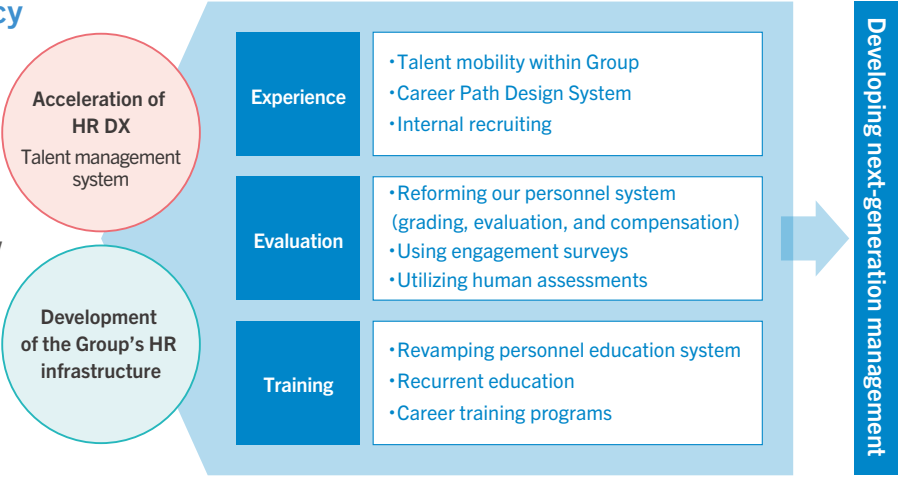
These investments in human capital from various angles encourage the growth of human resources throughout the Group. We will further accelerate the growth of our human resources as a group by creating an environment where every employee, regardless of age or gender, is able to take on challenges on their own initiative and based on mutual respect.

Our HR Strategy Office will accelerate our business strategy through the promotion of human resource strategy and realize our Purpose, “Meeting society’s needs with nature’s blessings.”

Basic Personnel Policy

- Independence and Self-Reliance
- Respect for the Individual
- Fostering a Culture in Which People Can Grow

We develop a diverse workforce for capable of driving new growth with the strategies that encourage the challenge for change.



To empower employees to choose their career and grow the next generation management

Aiming to develop management personnel who will be responsible for the future of our group, our efforts are centered on the three axes of “experience” to encourage growth through work, “evaluation” to foster a culture in which people can grow, and “training” to expand opportunities to learn on their own. By providing a wide variety of measures as below and allowing employees to seize opportunities for growth on their own initiative, we will cultivate the “founder’s spirit” that is the foundation of our management philosophy.

Initiative #1: Mission Grade System for managerial position

This system, launched in June 2023, aims to facilitate the selection and development of management talent to drive growth. Regardless of age or company history, the system determines their treatment based on job size, importance, impact in the individual’s mission, and so forth, whereby encouraging employees’ independent career development.

Initiative #2: Challenge Grade System for general workers

From April 2024, the personnel system for general workers will also be renewed. It will encourage more challenges

based on their motivation and abilities and decide their treatment according to individual career choice and growing speed. We encourage the growth of each employee by providing more opportunities and rewarding those who proactively take on challenges.

Initiative #3: Internal recruiting system

In FY2023, the internal recruiting system began in earnest. It indicates important positions to employees with certain abilities and qualifications, expands opportunities for proactive challenges, and encourages employees to try on their own initiatives. The target for FY2023 is to transfer 50 positions. In FY2024, we plan to expand the scope of internal recruitment to include our group companies.

Initiative #4: Establishment of management personnel requirements and renewal of training system

We have defined the image of management personnel and their requirements that our group aims to achieve in order to solve social issues. It is a person who possesses the following three elements: the “conceptual ability” to create a vision, the “achievement ability” to reliably achieve goals, and the “human ability” to show sincerity in everything they do, which is the foundation of all of our business activities. In order to develop future management talents, we revamped our conventional training system into more consistent program focusing on these three requirements.

Voice from an employee who used the internal recruitment

I am motivated and growing every day in the career I chose myself.

I had been interested in the North American business, our priority region, but it made me feel difficulties such as the time difference and language, and I had my own barriers. After hearing stories of senior employees working abroad, however, I strongly felt there would be chances of my personal growth. I could be involved in expanding the industrial gas business in overseas markets with abundant business opportunities. That made me to apply to AIR WATER AMERICA. Once posted overseas, I was able to work face to face with members of the North American group companies, and the barriers that I had built up on my own soon disappeared. There are many colleagues from diverse backgrounds, and I have much to learn from them about how they work, in their different cultures, and how they interact with people and organizations. That also keeps me motivated and growing.

AIR WATER AMERICA INC.
Dept. of Industrial Gas
Director, Business Development

Reiko Nakagaki



To promote DE&I

Creating a workplace where women can work vigorously and with a sense of fulfillment is the first step of our Group's D&I (Diversity & Inclusion). This concept launched Women's Participation and Advancement Promotion Project at Air Water in 2016. Over the next five years, we took various initiatives in place, such as improving workplace culture, supporting continued employment, and promoting career support, hiring, and training. They brought higher percentages of women in managerial positions as well as leadership positions, both are one of our KPIs. (See a chart below)

Based on these results, three more regional operating companies joined this project in FY2022, and we began full-scale D&I activities. There we have identified five priority issues based on an employees survey: (1) promoting women's participation and advancement, (2) encouraging men to take childcare leave, (3) support for balancing work and nursing care, (4) reforming awareness and culture for demonstrating initiative, and (5) promoting employment of persons with disabilities. These aim to enhance the work-life balance of each and every employee.

In particular, in order to achieve the goal of 40% or more male employees taking childcare leave, we facilitated communication between employees who have taken childcare leave and those who wish to take it. In FY2022, we held a "roundtable discussion of male employees on childcare leave" and a "roundtable discussion of female

employees on maternity leave and returning to work." We also held "Diversity Seminars" for managers.

From FY2023, we started promoting DE&I activities that added "Equity (fairness)" to conventional D&I that respects and realizes diversity of human resources in an organized manner. This is to fulfill our mission to provide fair work opportunities to each individual with diverse backgrounds and to utilize the vitality of human resources generated through such opportunities.

Launching a specialized organization to promote DE&I

Until FY2022, the "D&I Promotion Project" was promoted by members of Air Water and three regional operating companies. The project has achieved some success, but our Group as a whole still has work to do. So we have established a specialized department within the HR Strategy Office, replacing the previous project-based approach. Recognizing that respect for diversity is essential for corporate development, we have established a system that promotes DE&I activities even more vigorously.

Going forward, the HR Strategy Office, each business unit, and group companies will work together to implement DE&I activities from multiple perspectives.

To be a place where women can continue their careers

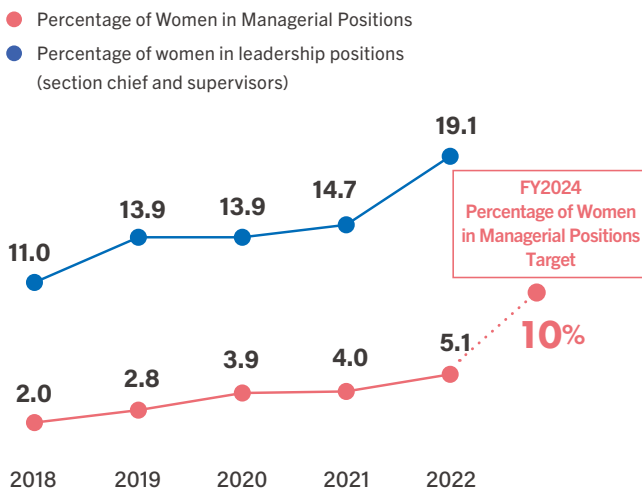
Our Group aims to increase the percentage of female managers to at least 10% by FY2024 (5.1% in FY2022), and is actively promoting the appointment of women in five steps: recruitment, continued employment, development, promotion, and realization of diversity.

We are strengthening our recruitment efforts with the goal of continuously increasing the ratio of women to new graduate hires to 40% or more. We operate various systems to support women's continued employment, and are currently focusing on "development" by providing career building support through a mentor system and strengthening our female leader development program.

Employee engagement surveys

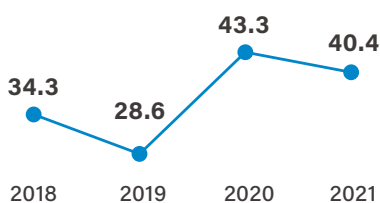
We began conducting engagement surveys in FY2023 in order to build a working environment where each employee feels fulfilled, works energetically, and can maximize their abilities. The survey measures employees' willingness to actively contribute to their organization as well as their own work with enthusiasm and provides a base indicator for our future business and human resource strategies. Based on the survey results, we will implement measures to improve the organizational climate and work environment as well as the willingness of employees to make voluntary contributions to the company, with the aim of increasing employee engagement.

Proactive Promotion of Female Employees (%)



*Non-consolidated, as of the end of the fiscal year

Male childcare leave take-up rate (%)



*FY2022 figures to be finalized at end of March 2024.

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 utilizes 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 KPIs for targets to be achieved by 2030, and are further strengthening our efforts in areas such as decarbonization and climate change. At the same time, we are also promoting efforts to contribute to society through our business activities, with a focus on the “Global Environment,” which we have set forth as a growth axis for our diverse business domains in order to realize “terrAWell30.”



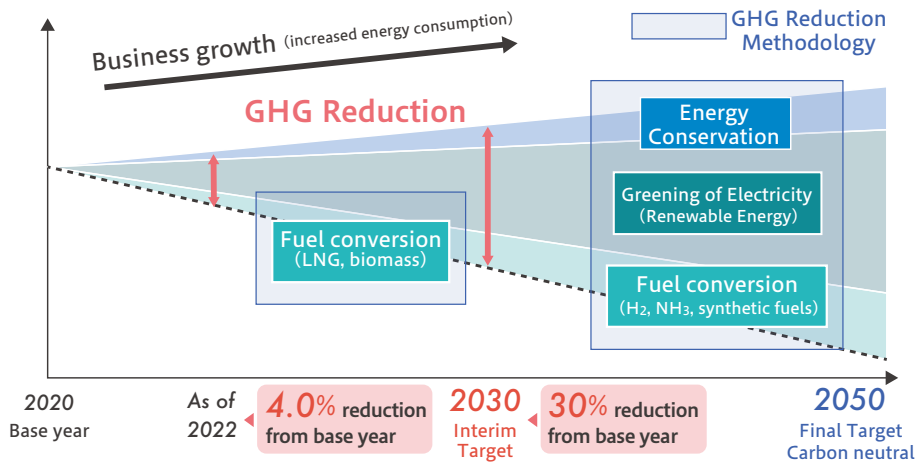
Response to climate change

Our Group is actively working on carbon neutrality in terms of both our “responsibility” to reduce our own GHG emissions and our “contribution” to reduce GHG emissions in society through our products and business operations.

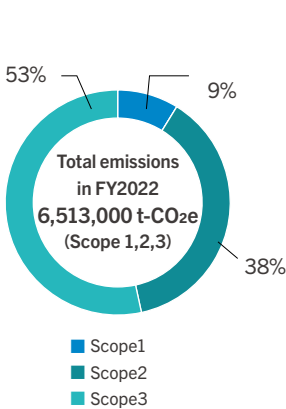
Responsibility	Contribution
<p>Reducing GHG emissions from the Group (Scope 1+2)</p> <ul style="list-style-type: none"> • 30% cut by FY2030 (vs. FY2020*) • Realizing carbon neutrality by FY2050 	<p>Reducing GHG in society through business activities</p> <ul style="list-style-type: none"> • Providing products and solutions that contribute to carbon neutrality • Developing technologies to realize carbon neutrality and driving rapid social implementation

*It targets energy-derived CO₂ emissions (Scope 1 and 2) from consolidated subsidiaries in Japan, out of GHG.

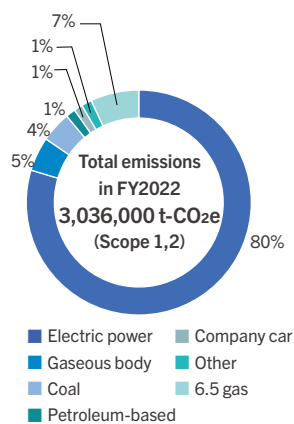
Balance of Our GHG Reduction Measures



GHG Emissions by Scope



GHG emissions by factor



While energy consumption is expected to increase in tandem with corporate growth in the future, we seek to achieve both reduction targets and growth by focusing on three measures: “energy conservation,” “greener of electricity,” and “fuel conversion.”

For direct emissions from our own production activities (Scope 1), we reduce emissions through energy conservation activities, including investment in energy-saving equipment and other decarbonization measures, fuel conversion to reduce and decarbonize energy used in production processes, and the use of biomass fuels.

For indirect emissions from externally purchased energy (Scope 2), as with Scope 1, we aim to reduce indirect emissions through energy conservation activities, including investment in energy-saving equipment and other decarbonization measures, and by expanding the use of green (renewable) energy sources for electricity. Our vision is to reach carbon neutrality by 2050, including the use of next-generation energy sources (hydrogen, ammonia, synthetic fuels, etc.).

Going forward, we will visualize these measures in concrete roadmaps for each of our businesses and accelerate our efforts to implement them. In addition, we will enhance the disclosure of such information.

Disclosure based on the TCFD framework

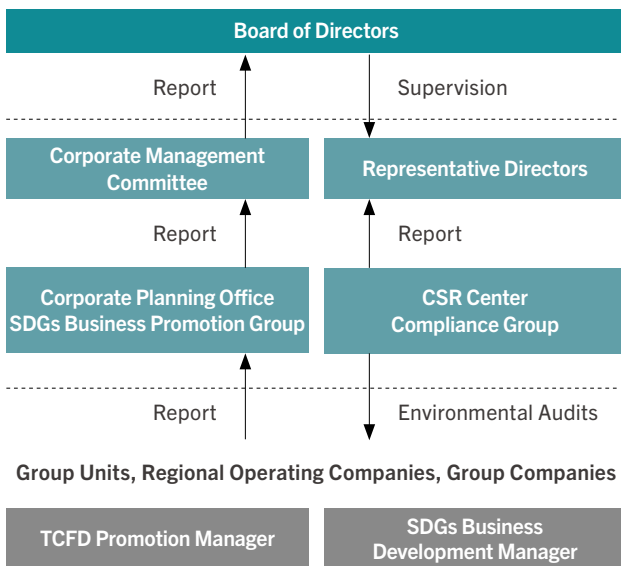
In August 2021, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium. Starting in March 2022, we are gradually expanding our disclosure information in line with TCFD recommendations (governance, strategy, risk management, and indicators and targets). Information based on the TCFD Framework is available on our website.

Response to TCFD Recommendations
https://www.awi.co.jp/en/sustainability/environment/tcfd_recommendations.html



Governance

Our Group recognizes that addressing climate change is one of its most important management issues. Basic policies and important matters related to climate change are discussed by the Corporate Management Committee, and important matters are reported to the Board of Directors. Climate change matters are managed by the SDGs Business Promotion Group, established in the Corporate Planning Office. The group leads the planning and implementation of various measures to address climate change.



Risk management

Regarding climate change-related risks, the “Corporate Planning Office SDGs Business Promotion Group” will evaluate and analyze them based on the TCFD’s recommended scenario analysis methodology, working together with the TCFD promotion managers of the business groups. Significant risks are presented and reported to the Corporate Management Committee and the Board of Directors, which are systematically integrated into the company-wide risk management process.

Indicators and targets

Greenhouse gas (GHG) emissions

Upon the formulation of our Environmental Vision 2050, we have set a GHG reduction target of 30%* below the FY2020 level for FY2030, which is a milestone of the Vision.

GHG emissions in FY2022 were 266 thousand t-CO₂e lower than in FY2021, including an increase in business growth, due to structural changes in the boundary and energy savings in manufacturing processes, fuel conversion, and the introduction of on-site PPAs (power purchase agreements for solar electricity). CO₂ emissions from domestic energy use, a target source of emissions, also decreased by 84 thousand t-CO₂e compared to FY2021, resulting in a reduction rate of 4.0% compared to FY2020, the base year for the KPI.

*Values for GHG emissions in FY2022 are verified by Japan Quality Assurance Organization (JQA).

GHG reductions that benefit society

The “terrAWell30” initiative is designed to create synergies by integrating diverse businesses in four business groups to turn social issues into business opportunities. In this plan, our products and services that help decarbonization and low-carbon emissions are going to reduce greenhouse gas emissions by approximately 203 thousand t-CO₂e per year. They include wood biomass power generation using the FIT system, the compact LNG satellite facility “V-Satellite” that lowers carbon emissions by converting fuel from heavy oil, and industrial equipment with higher production efficiency and lower power consumption than conventional gas-related facilities.

Key products and services for decarbonization and low carbon

Name of product/service	Detail	Reduction contribution (t-CO ₂ e /year)
Wood biomass power generation	Selling renewable energy electricity under the FIT system	139,417
V-Satellite	Converting from heavy oil to LNG	54,361
Hydrogen gas generator “VHR”, Nitrogen gas generator “NSP-Pro”	Selling of Industrial gas-related equipment that realize low-carbon	8,883
Total		202,661



Our strategy

We conducted a scenario analysis to identify risks and opportunities related to the unpredictable and uncertain event of climate change and how those risks and opportunities might affect our business strategy. In FY2022, the analysis was expanded to cover all units and other major operations, using the “4°C scenario” and the “1.5°C scenario.” As a result, we confirmed that our basic

strategy is sufficiently resilient to the uncertain and long-term future, as both the “4°C Scenario” and the “1.5°C Scenario” are expected to have sufficient countermeasures and opportunities to be acquired and expanded, although the impact of both risks and opportunities are larger under the “1.5°C Scenario”.

Type	Time horizon	Financial impact	Response
1.5°C Scenario			
Transition risks	Policy & regulation	Medium to long term Small	Increased costs due to switching fossil fuel-derived products, containers, etc., to alternatives <ul style="list-style-type: none"> Collaborate with the plastics recyclers to reduce costs and search for new materials and new technologies Review product packaging and change to environmentally friendly raw materials
	Policy & regulation	Medium to long term Small	Increased costs due to higher renewable energy levy and revised exemption rates <ul style="list-style-type: none"> Develop high-efficiency plants, introduce energy-saving equipment, improve productivity through DX, and transfer the cost to the product prices
	Market	Medium to long term Medium	Decreased sales of gases with greenhouse and potentially environmentally damaging effects <ul style="list-style-type: none"> Sell detoxification equipment to reduce air emission concentrations and develop alternative products
	Market	Medium to long term Medium	Decreased competitiveness and sales of buildings that lack sufficient decarbonization performance <ul style="list-style-type: none"> Promote design and construction through ZEB technology
	Technology	Short to medium term Large	Increased energy costs, including manufacturing cost, transportation cost, and on-site power generation, due to the new carbon tax system <ul style="list-style-type: none"> Introduce renewable energy sources such as solar power generation and utilize them to recycle carbon dioxide emissions
	Technology	Short to medium term Large	Increased investment to shift from fossil fuels to alternative fuels <ul style="list-style-type: none"> Investigate lower cost production, storage, and transportation equipment for carbon neutral alternative fuels
Opportunities	Market	Medium to long term Small	Increased sales to low-carbon-oriented users due to the shift to low-carbon fuels <ul style="list-style-type: none"> Introduce low-carbon vehicles and secure supply transport to hydrogen stations Switch fuel for own power generation facilities from coal to LNG to lower carbon emissions
	Market	Medium to long term Medium	Entry into the carbon market with CO ₂ fixing technology <ul style="list-style-type: none"> Promptly develop technology for practical application and widespread use of a process to fix CO₂ in exhaust gases as calcium carbonate
	Market	Medium to long term Medium	Increased demand for ZEH/ZEB* <ul style="list-style-type: none"> Develop products with superior decarbonization performance compatible with ZEH and ZEB, and promote design and construction using such technologies
	Market	Short to medium term Large	Expanded business opportunities in carbon-neutral energy and hydrogen markets <ul style="list-style-type: none"> Build a solid business foundation by securing sources of biomethane and accumulating technological development and related technologies
	Market	Short to medium term Large	Increased sales from products using carbon recycling technology <ul style="list-style-type: none"> Research and develop highly efficient hydrogen production methods and develop technologies for the hydrogen value chain
4°C Scenario			
Transition risks	Market	Medium to long term Small	Increased transport and operating costs due to higher fuel prices <ul style="list-style-type: none"> Promote efficiency through vehicle decarbonization, modal shift, and energy savings Lower fuel cost for vehicles
Physical risks	Acute	Medium to long term Medium	Revealed risks such as shutdowns by physical damages to facilities and transportation infrastructure <ul style="list-style-type: none"> Lower disaster risk by decentralizing manufacturing sites and develop a BCP for facilities Ensure coverage/compensation by purchasing insurance and reviewing contracts with clients Use multiple suppliers for materials/raw materials, utilize product stock points, and procure imported salt Shorten work period to avoid secondary disasters during typhoons and to compensate on-site shutdown
Opportunities	Long term	Large	Increased demand for safety services and infection control products <ul style="list-style-type: none"> Jointly develop injection needles with major manufacturers and be ready to increase production in case of emergency Expand the lineup of sanitizer-related products and develop & sell products to combat infectious diseases

Digital & Industry

Energy Solutions

Health & Safety

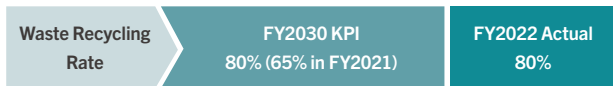
Others (Seawater, Logistics, Construction)

*ZEH and ZEB represent Net Zero Energy House and Net Zero Energy Building. They refer to buildings designed to reduce energy consumption in buildings and homes to zero while creating a comfortable indoor environment.

Resource-recycling society

Industrial waste

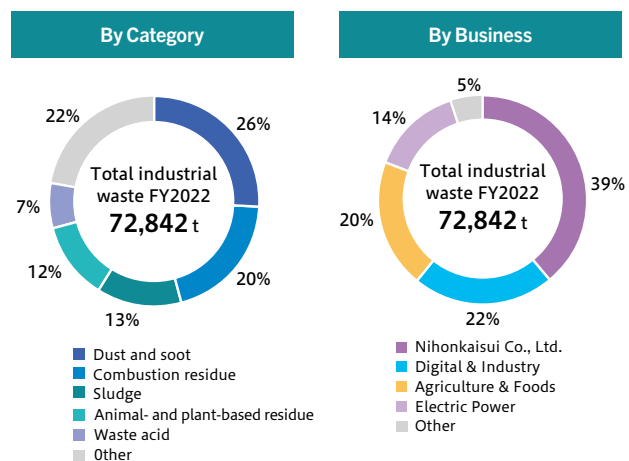
We aim to realize a supply chain that recycles resources by eliminating waste generation, promoting reuse, and recycling waste. Our target is to increase the waste recycling rate from 65% in FY2021 to 80% in FY2030, and further to 100% by 2050.



We have achieved the KPI earlier in FY2022, mainly through structural changes in the boundary by transferring business of the Hofu Biomass and Coal Mixed Combustion Power Plant, the sale of sludge generated at the beverage plant as fertilizer (conversion to a valuable resource), and improved product yield at food plants. 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.

Industrial waste emissions

In the Air Water Group, when looking at industrial waste by category, we release a large amount of soot and sludge from our biomass power generation business (by Nihonkaisui/Electric Power segment), and a large amount of animal- and plant-based residue from the Agriculture & Foods segment.



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 are working to reduce water consumption intensity* by 10% in FY2030, compared to the FY2021 level (31.8 m³ / million yen).

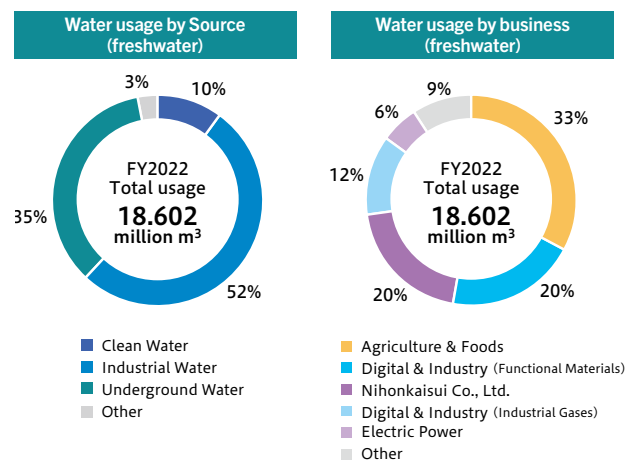
*Freshwater usage per revenue



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 (freshwater)

Our Group uses water resources (freshwater) mainly as raw materials to produce soft drinks and as cooling water for production and power generation equipment. We promote recycling of water resources in our production processes and analyze water after use to ensure that there are no environmental problems before discharging it.



External assessment of our environmental initiatives “A-” rating in Climate Change and Water Security

We participate in the Corporate Sustainability Survey conducted by CDP*, an international environmental non-governmental organization. In FY2022, we received a Leadership Level “A- (A minus)” rating for our advanced activities in the two themes of “Climate Change” and “Water Security.”



*CDP: An international non-profit organization based in London. Aiming to promote corporate efforts toward a low-carbon society, CDP considers climate-related management risks, collects, analyzes, and evaluates climate change information from major global companies, and discloses the results to institutional investors.

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.

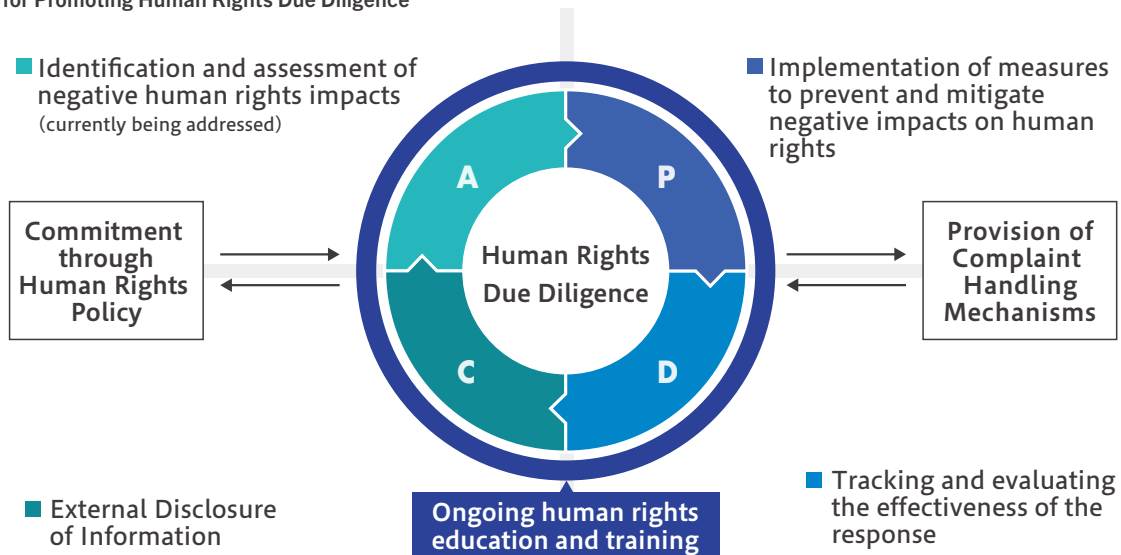
Human rights due diligence

Our Group promotes human rights due diligence initiatives to minimize 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 listed in the international norms that are closely related to the Air Water Group’s business. Those 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 people, 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 assessments and workshops. That allowed us to identify three key issues: “occupational health and safety,” “foreign technical interns,” and “suppliers.” We will be assessing the nature of the risks and their impact on each of our priority issues, and taking measures to address them.

Basic Human Rights Policy (excerpts)

- The Air Water Group will comply with international norms on human rights, as well as the relevant laws and regulations in each country and region in which it conducts business.
- The Air Water Group will ensure that human rights are not infringed as a result of its business activities. In the event that human rights are impacted, the Group will take appropriate measures to correct the issue, fulfill its responsibility to respect human rights, and build a responsible supply chain.
- This policy applies to all officers and employees of the Air Water Group. The Group expects that all business partners concerned with its products and services understand and agree with this policy, and will engage in human rights promotion activities with them.
- To minimize negative impacts on human rights, the Air Water Group establishes a human rights due diligence framework, identifies the potential negative impacts it could have on human rights, and works to prevent and mitigate them.
- Regarding its response to any actual or potential negative impacts on human rights, the Air Water Group will engage in dialogue and discussions with its stakeholders to improve its human rights initiatives.

Process for Promoting Human Rights Due Diligence



Three key issues	Specific approaches
Occupational safety and health	We will identify new labor risks through security and labor audits. For currently identified significant risks, we will recognize risks to health and safety and take appropriate measures to avoid accidents and minimize their impact, including safety goals, enhanced training opportunities, and stress checks.
Foreign technical interns	We will ascertain the actual status of the management system in terms of conformity with such standards as environment, education, compensation, and housing, from the perspective of whether strict conditions are imposed on foreign workers and whether any discriminatory practices are taking place. For high priority areas and projects, we will offer training and guidance to managers and supervisors.
Suppliers	We will identify the types of human rights risks, countries, areas, and products to be investigated. This is based on the idea that attention must be paid to human rights in the supply chain, both domestically and globally. Of the human rights impacts identified, we will take measures to address the highest priority risks.

Human rights conscious procurement

At the Air Water Group, we are building good partnerships with our suppliers toward the Sustainability Vision, “achieving a recycling-oriented society through coexistence with society and the earth.” Also, we conduct procurement activities in line with the “Air Water Group Sustainable Procurement Policy,” which clearly states that we give consideration to the global environment and basic human rights throughout our supply chain.



Dialogue with human rights experts

I had the opportunity to have a dialogue with executives in each business unit about the three key issues. Our human rights efforts must rely on international standards, and in 2022, occupational health and safety was added to one of them, the ILO’s Core Labour Standards. I am encouraged that your group has expressed a concrete commitment in this field.

In addition, your Group has identified foreign technical intern trainees as an important stakeholder (subject of human rights) based on the business characteristics of the target occupations, such as food manufacturing, machinery and metals. I can appreciate the fact as the first step of human rights due diligence that you have begun to ascertain not only the application of laws and regulations, but the actual status of contracts with supervisory bodies and awareness of issues through questionnaires to relevant group companies. The next step would be to promote dialogue, such as conducting interviews with the technical intern trainees.

Regarding human rights risks of suppliers, I was impressed that the executives examined and actively provided examples of the different countries, products, and stages of commercial distribution in which they operate in the Global Environment and Wellness businesses, respectively. Going forward, it is expected to make your initiatives even more effective through developing and operating a grievance mechanism.

Sustainable Procurement Policy (excerpts)

- **Consideration for the global environment**

Based on the Air Water Group 2050 Environmental Vision, we will engage in environmentally friendly procurement activities that consider decarbonization and biodiversity.

- **Quality, price, delivery time, and low carbon**

We will engage in fair and transparent procurement activities, and widely procure low-carbon goods and services with excellent quality, price, and delivery time from our suppliers both in Japan and abroad.

- **Consideration for human rights, labor standards, and safety and health**

We will respect basic human rights and engage in procurement activities that consider both labor environments (prohibition of forced and child labor) and safety.

Occupational Health and Safety (Security and Safety Services)

Basic concept

“Ensuring the well-being of employees” is one of the Air Water Group’s Materiality. We believe that ensuring safety is a fundamental priority for any corporate activity, and that a company cannot survive and thrive without the safety and security of its employees. Based on this idea, our Group is striving for occupational safety, traffic safety, occupational health, and safety and disaster prevention in accordance with our Safety and Health Basic Policy.

Safety and Health Basic Policy

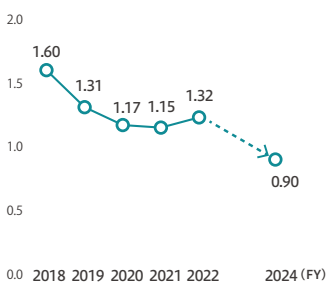
1. We aim to achieve zero work-related accidents, and advance comprehensive and systematic safety measures.
2. We ensure the safety and health of our employees, as well as create a comfortable work environment and realize the well-being of our workers.
3. We comply with all related laws and operating procedures, and create workplaces with clear lines of responsibility concerning occupational safety, traffic safety, and occupational health, as well as safety and disaster prevention.

Our safety and health structure is available on the website.
 Ensuring a Safe and Secure Work Environment (Commitment to Employees):
<https://www.awi.co.jp/en/sustainability/social/safety.html>

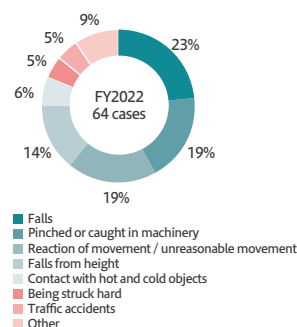
KPI: Lost time injury frequency rate

Based on the identified Materiality, we have set the frequency rate of lost time injuries (during operations*) 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.

Rate of accidents associated with days away from work (while on duty)



Factors and number of lost time injuries



Our Group is involved in a number of industries through its diversified business portfolio. According to Ministry of Health, Labour and Welfare statistics for FY2022, the frequency rate for the manufacturing industry (100 or more workers) is 1.31. Under the same condition, our Group’s rate would be 1.32.

$$\left(\text{Frequency rate} = \frac{\text{number of work-related casualties}}{\text{total working hours}} \times 1,000,000 \right)$$

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

Initiatives to reduce workplace accidents

The business that our Group develops is “related-type diversification” originating from industrial gases. Because industrial gases are required to provide a stable supply to society, ensuring safety management systems such as security and disaster prevention is extremely important to fulfill corporate responsibility through business continuity. Furthermore, ensuring worker safety in the workplace and creating a comfortable work environment are prerequisites for human capital management. Accordingly, our Group regards occupational health and safety in all our businesses as a critical management issue, and is promoting initiatives to reduce occupational accidents.

In FY2022, we focused on “pinched or caught in machinery,” “falls,” and “falls from height” and thoroughly enforced the three safety principles (eliminate, isolate, and shut down hazardous sources) set to reduce risks associated with machinery and equipment. For “falls” and “pinched or caught in machinery”, which had a high probability of occurrence in the previous fiscal year, we set June and December as periods for reinforcing activities to eliminate them. Using a check sheet to check the status of implementation of occupational injury prevention measures, we identified and reduced risks such as aisles and work stations where falls are possible.

Also, we held in-house training for key persons in charge of health and safety at each business site to educate them on specific methods to reduce occupational accidents, such as risk assessment methods and documentation of work procedures. For new employees, we provide experiential education through the use of VR and small hands-on equipment to improve their sensitivity to danger. As for group companies that had experienced serious accidents, we regularly inspect accident sites and conduct risk assessments to prevent recurrence.

Executive Officer, General Manager of CSR Center
Kosuke Komura



Promoting Community Partnerships and Social Contribution Activities

Our Group is actively promoting initiatives to contribute to solving local issues, mainly through our regional operating companies, while building cooperative frameworks, such as partnerships with local governments, in each region. As a member of the community, we make donations to local governments, create new employment opportunities for the disabled, and support job training for financially disadvantaged youth.

Established donation support programs for Hokkaido municipalities

“Hometown Support H Program” Air Water Hokkaido in our Group has established the “Hometown Support (Furusato Ouen) H Program,” in which H is pronounced “eichi” and means wisdom in Japanese. This program will provide donation support to all 179 municipalities in Hokkaido, up to a total of 1 billion yen over an eight-year period from FY2023 to FY2030. We will accept applications every year for a wide range of projects in municipalities that contribute to solving various social issues, including from the perspectives of “Global Environment” and “Wellness” of our growth axes. In selecting projects to be supported, we set up a promotion committee of the program consisting of external experts with insight into regional administration and economy. The committee will make a comprehensive judgment of sustainability, ripple effects, creativity, cooperativeness, and contribution to the region, among other factors, before deciding on the recipients of support.



Air Water Smile (a Type-A continued employment support office*) contracted dishware reuse business, contributing to reducing plastic waste

In this business, dedicated reusable dishes are leased to event operators. After use, they are collected, cleaned, and reused, thereby reducing plastic waste. We will continue to expand contracted projects that help solve such regional issues as well as provide new employment opportunities and rewarding jobs to people with disabilities.

*Welfare service that allows people with disabilities or serious illnesses who have difficulty working in general companies to work in a place with a certain level of support under an employment contract.

Social contribution activities in India

Air Water India Private Limited, a group company, is actively engaged in social contribution activities in India. The company supports vocational training for economically disadvantaged youth conducted by Pan IIT Alumni India, a program started by alumni of the Indian Institutes of Technology. In addition, to support public school education, the company provided free of charge a complete set of drinking water facilities and renovated toilets to four schools in the Bellary region of the country.





Corporate Governance

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

Some of the details of our efforts related to “Japan’s Corporate Governance Code” by Tokyo Stock Exchange (revised in June 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. The term of office of directors is set at one year in order to clarify the management responsibility of the directors for each fiscal year. In August 2022, we also established the Nomination and Compensation Committee with a majority of independent outside officers (directors and auditors). This aims to strengthen the independence, objectivity and accountability of the Board's functions related to the nomination and compensation of directors and senior management.

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.

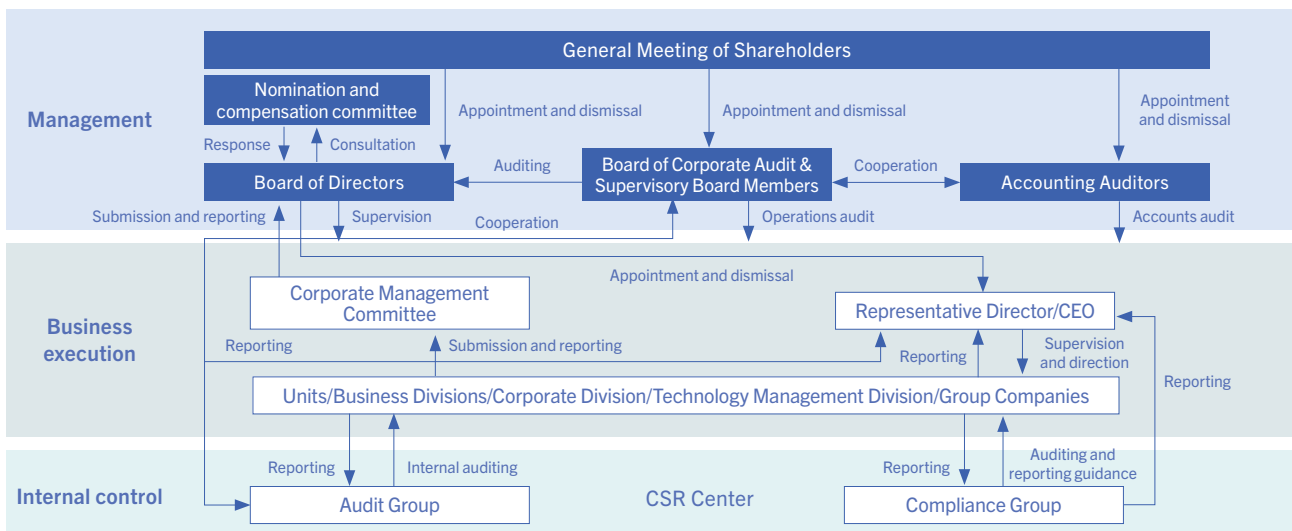
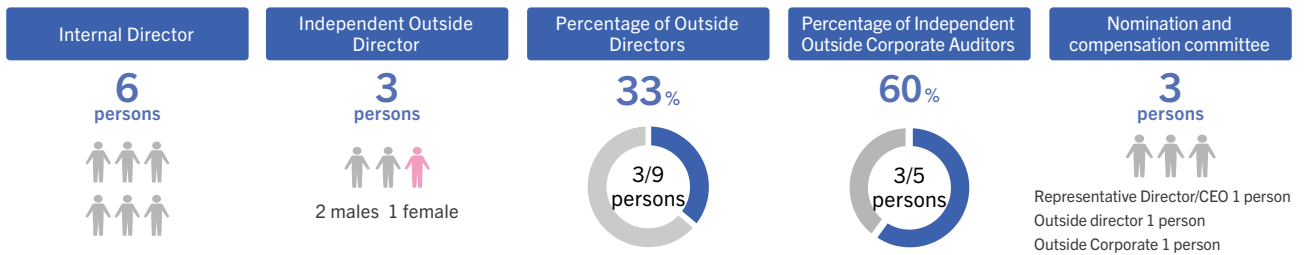
Internal Control System

Regarding internal audits, the CSR Center Auditing Group, our internal auditing division, conducts regular audits of our Group's compliance with laws, regulations, and internal rules, as well as the appropriateness and adequacy of business processes. It also monitors and supervises the establishment and operation of internal control systems to ensure the reliable and appropriate financial reporting. The roles include evaluating the effectiveness of those systems as the lead department, under the responsibility and direction of the Representative Director. Furthermore, CSR Center Compliance Group has been established, which specializes in management and control of compliance, safety/disaster prevention, environmental preservation, and quality assurance across the Air Water Group.

Board of Directors

The Board of Directors makes decisions and reports on important matters related to the management and business execution of the Group, in addition to matters stipulated by law or the Articles of Incorporation, and fulfills functions related to the mutual supervision and monitoring of directors. In FY2022, 14 meetings were held.

Air Water Inc. Corporate Governance Structure and Features



Election of Directors

The Board of Directors have organized a skill matrix based on the following seven areas of experience and skills to cover each function and business domain of the Company: (1) corporate management, (2) finance affairs and accounting, (3) risk management and legal, (4) business strategy and marketing,

(5) technology and R&D, (6) human resources management, and (7) global. The criteria help make the appointment of the right person in the right position for accurate and prompt decision-making. The skill matrix for directors and auditors is presented below.

Skill Matrix for Directors and Audit & Supervisory Board Members

		Corporate management	Financial affairs and accounting	Risk management and legal	Business strategy and marketing	Technology and R&D	Human resources management	Global
Corporate Directors	Kikuo Toyoda	Chairman and Representative Director Chief Executive Officer (CEO)	●	●	●		●	
	Ryosuke Matsubayashi	President and Representative Director Chief Operating Officer (COO)	●	●	●	●		●
	Keita Hara	Senior Managing Executive Officer			●	●		
	Hidetoshi Onoe	Managing Executive Officer Representative of Tokyo	●			●		
	Shigeki Otsuka	Managing Executive Officer				●		●
	Tsuyoshi Tanaka	Managing Executive Officer	●			●		
	Yukiko Sakamoto	Outside Director Independent			●		●	
	Takao Matsui	Outside Director Independent		●				●
	Yoshihiro Senzai	Outside Director Independent	●			●	●	
Audit & Supervisor Board Members	Hiromi Yanagisawa	Standing Statutory Auditor		●				●
	Yuji Ando	Standing Statutory Auditor	●		●			
	KunihikoTsuneyoshi	Outside Corporate Auditor (Standing) Independent	●	●				
	Atsushi Hayashi	Outside Corporate Auditor Independent			●			
	Nobuo Hayashi	Outside Corporate Auditor Independent			●			

Establishment of The Nomination and Compensation Committee

We have established the Nomination and Compensation Committee in August 2022, with a majority of independent outside directors, as a voluntary advisory body to the Board of Directors. The committee aims to strengthen the independence,

objectivity, and accountability of the Board of Directors' roles regarding the nomination and compensation of directors as well as senior management.

Composition of the Committee

1. Shall consist of at least three (3) directors or corporate auditors elected by the Board of Directors.
2. The majority shall be outside directors or outside corporate auditors (both are independent officers).

Representative Director  CEO: One
 Outside Director: One 
 Outside Corporate Auditor: One

(Members as of September 30, 2023)

Key roles of the Committee

The Committee shall deliberate and report to the Board of Directors on the following matters in response to inquiries from the Board:

1. Matters related to the proposed election/dismissal of directors (to be submitted to the General Meeting of Shareholders)
2. Matters related to the proposed selection/dismissal of representative directors (to be submitted to the BoD following the GMS)
3. Matters related to the remuneration system and evaluation of directors
4. Matters related to succession planning

Efforts to Improve the Effectiveness of the Board of Directors

Utilizing knowledge of outside officers

We strive to strengthen the management supervisory function 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 Chairperson of the Board of Directors asks outside directors for their questions and opinions on each agenda item in an effort to improve the quality of discussions.

Free discussions

After the Board of Directors meeting, we hold a free discussion-style meeting for directors and corporate auditors to exchange opinions and develop a wide range of discussions toward the sustainable growth of the Company.

Pre-briefing for the Board

In advance of the Board of Directors meetings, the Governance Office, the secretariat of the Board of Directors, distributes materials on agenda and matters to be reported to outside directors and corporate auditors, where the persons in charge of drafting proposals provide explanations and facilitate active

discussions to promote understanding of the contents and enhance corporate value.

Assessing the Board efficacy

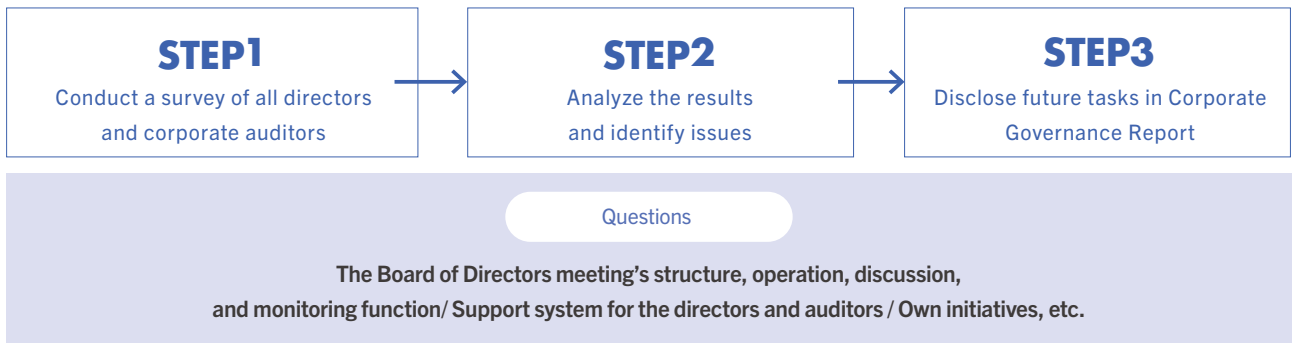
In order to improve the effectiveness of the Board of Directors as a whole, we conduct an annual survey for all directors and corporate auditors. The responses are analyzed and evaluated by an external third-party organization with respect to the effectiveness of the Board of Directors as a whole, and a summary of the results is disclosed.

Supporting outside directors/corporate auditors

When outside officers are appointed, we brief them on our business, finances, and organization, as well as conduct site visits to our plants and other facilities. In addition, we offer training sessions with topics appropriate to the situation at the time by outside experts, as necessary, and help them to acquire and update the knowledge required for outside directors and outside corporate auditors to properly fulfill their roles and responsibilities.

There is also a database of materials and minutes of past Board of Directors meetings that is made accessible by all directors and corporate auditors including the outside members.

The Assessment Process



Issues from FY21 survey	Initiatives in FY22	Assessment
<The Board’s structure> Be more diversified	Establishing the Nomination and Compensation Committee Electing outside directors with management experience	- The size and structure of the Board is appropriate. - Selecting new directors with management experience stimulated the Board discussions. The proposal process is appropriate in each of the drafting department, the administrative department for preliminary review, and the secretariat that manages the Board of Directors meetings. The assessment was generally positive, indicating that the effectiveness of the Board of Directors is sufficiently ensured.
<The Board’s operation> Be further enhanced including pre-briefing	Enhancing the meeting materials	

Officers' Remuneration

Composition of the remuneration

The remuneration for directors consists of fixed basic remuneration, performance-linked remuneration, and stock-based remuneration (excluding outside directors), as resolved by the Board of Directors.

Non-monetary remuneration (stock-based remuneration) is in the form of restricted stock, and shares of Air Water 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. The standard ratio for each type of remuneration is 7:2:1 for basic remuneration, performance-linked remuneration, and non-monetary remuneration, respectively.

The remuneration for outside directors and corporate auditors is limited to basic remuneration only.

Officers' Remuneration in FY2022

Classification	Total amount (million yen)	Total amount by type (million yen)			Number of officers covered
		Basic	Performance-linked	Non-monetary	
Directors (excluding outside)	617	439	128	49	9
Auditors (excluding outside)	48	48	–	–	2
Outside Officers	85	85	–	–	7

(Notes)

1. Bonuses are paid to directors as performance-linked remuneration.
2. Non-monetary remuneration, etc. represents the expensed amount in FY2022 under the restricted stock remuneration plan.
3. The number of eligible directors above includes two directors who retired at the close of the the 22nd Annual General Meeting of Shareholders held on June 28, 2022.

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. We believe that thickening the ranks of not only the CEO but also the next generation of management personnel will contribute to the enhancement of 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.

Approach to Cross Shareholdings

Policy on cross shareholdings

We hold cross shareholdings for the purpose of maintaining relationships with business partners, expanding transactions, and creating business opportunities. Regarding the new acquisition or continued holding of cross shareholdings, decisions are based on whether our relationship with the company in question (i.e. business transactions, tie-ups, collaborations, etc.) can help to raise the corporate value of the Group over the medium to long term.

Examination of cross shareholdings

The Board of Directors closely examines each individual cross shareholding every year to review whether the benefits and risks of the holding worth capital costs and whether such holding is aligned with our goal of improving corporate value over the medium to long term. Shareholdings that are deemed insignificant or unreasonable are reexamined and sold or reduced as necessary.

Approach to Parent-Subsidiary Listing

AIR WATER INC. is the parent company of Kawamoto Corporation, a listed company. The listing of the subsidiary can provide the subsidiary with advantages such as securing the trust of business partners, while expanding group synergies for both companies. The synergies include cultivating new customers through Air Water's nationwide sales network of medical-related companies, mutual cooperation in developing advanced medical hygiene materials products and higher value-added services, and expanding product lineups through the subsidiary's supply of hygiene materials, medical supplies, and nursing care products to the parent. We believe that parent-subsubsidiary listing is an effective option when it is possible to maximize the corporate value of 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.

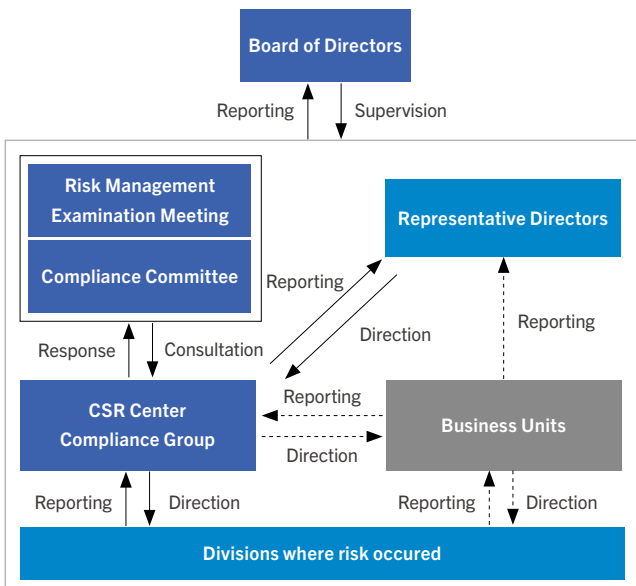
Reinforcing Risk Management

Our Group’s business is diverse. We have established a cross-company risk management system to accurately and promptly grasp the overall picture of risks, including from a global perspective, and to mitigate such risks.

Our Risk Management Structure

1. The CSR Center Compliance Group, which is under the direct control of the representative director, is in charge of managing risks related to compliance, safety and safety services, environmental preservation, and quality assurance, which are considered particularly important risks in the Group’s business activities, across the entire Group.
2. For individual risks related to information security, quality control, intellectual property, business contracts, etc., we establish departments in charge of each risk and have them prepare internal rules, manuals, and training sessions, as well as manage such risks in the Group through preliminary inspections and approval systems.
3. Risk Management Examination Meeting is regularly held by the Compliance Group as its secretariat to monitor the status of risk management and to promote the strengthening of risk management within the Group.
4. For overseas business, we manage our global risks across the company by cooperating with the Global Management Office, newly established under the Global Business Unit for monitoring their businesses.

Risk Management Structure



Enforcing Compliance

Compliance structure

As an organizational system for compliance management, we have established the CSR Center Compliance Group, a dedicated department responsible for the integrated management of compliance issues in the Group under the direct control of the representative director. A responsible person is appointed there from among directors, executive officers and board members. Furthermore, each business group has set a department responsible for compliance that works closely with the CSR Center Compliance Group to strengthen our compliance system for Air Water and its group companies.

Air Water Group Code of Ethical Conduct

The Air Water Group Code of Ethical Conduct provides all officers and employees of Air Water and its group companies with guidelines to help them act in strict conformance with the laws and regulations and behave in an ethical manner. In addition, we created a Compliance Handbook, which breaks down the code and gives examples of violations in an easy-to-understand manner, and distribute it to all employees in the Group to raise their awareness of the Code.

Compliance Committee

We have established the Compliance Committee 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, and also discusses ways to deal with compliance violations if they occur. In FY2022, the Committee met twice to discuss important compliance matters within the Group.

Internal reporting system

We have established an internal reporting system to enhance the effectiveness of compliance. Anyone who becomes aware of a 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. The contact information for the “hotline” of such whistleblower system is displayed on a Compliance Posters placed at all business locations to ensure that each and every employee of the Group is fully aware of the system.

In FY2022, there were 33 whistleblowing cases, none of which had a material impact on our business.

Outside Directors Roundtable

We interviewed the outside directors about the strengths and challenges of the Air Water Group, which has formulated the vision “terrAWell30” toward 2030.



Outside Director

Takao Matsui

Outside Director

Yukiko Sakamoto

Outside Director

Yoshihiro Senzai

Q: What is your impression of our governance structure? What are some of the challenges you see?

SAKAMOTO: I believe our internal control system has been well established. The internal auditing unit is functioning systematically, and I think the management is highly aware of the importance.

The outside directors actively speak out based on their experiences, and the management accepts their comments, making me feel that our governance is functioning effectively.

MATSUI: Our governance structure has been enhanced year by year. I see our discussions are lively especially at the

pre-briefing sessions on the Board meeting's agendas. It can take up to an hour for a single agenda item, which is very helpful in organizing points for discussion at the Board meetings.

SENZAI: I feel the Board of Directors' discussions are very open. I am able to speak my mind all the time, and the roles of each outside director, based on their areas of expertise, are well combined to allow for lively discussions from a variety of angles.

SAKAMOTO: This year, Japan has released a target this year of 30% or more for female directors in Prime listed companies by 2030. We believe that our Board

of Directors also needs more diversity. Now we have one female board member, so I think it would be better to raise this ratio as part of the governance structure.

In addition, with many group companies and an increasing number of overseas subsidiaries, the internal audit department is struggling, but there is some variation in the penetration of governance throughout the Group, and I recognize that further strengthening of internal controls is necessary.

SENZAI: The challenge is that we still don't have enough perspectives on governance in many areas. We need the stronger governance by embracing the



Outside Director
Takao Matsui

Oct. 1982 Joined Asahi & Co.
 (now KPMG AZSA LLC)
July 2010 Partner, KPMG AZSA LLC
Sept. 2014 Auditor, KPMG AZSA LLC
June 2020 Corporate Director, AIR WATER INC.
 (current)

perspectives of various stakeholders outside the company, but my impression is that our company is still focused on internal viewpoints. In this age, I think it is important to both enhance the internal enrichment and strengthen the incorporation of external perspectives.

Q: How do you see your role in the Company?

SAKAMOTO: I am working on three points in particular. The first is to accelerate the realization of diversity. Society is changing at a tremendous pace, and I believe we must further accelerate the current speed of our company. The second is to advice on the development of human resources. This is also important because human resources are the treasure of a company and support its growth. The third is to help our employees work with a high sense of satisfaction and contribute to the development of society. Especially, I am eager to advise on our Company's goal of the realization of a healthy and long-lived society, social contributions such as

preserving the global environment, and the improvement of the working environment, including work-life balance.

MATSUI: Because outside directors are responsible to shareholders and other stakeholders, I believe I should not be a mere adviser, but must supervise and monitor the business operations of the executive side thoroughly. Therefore, even if it is something difficult for me to say, I try to speak up using the knowledge I have gained from my 35 years at an auditing firm. In addition, I make sure to speak up if I have a feeling of strangeness about the perspective of external stakeholders. I also try to avoid reading the room.

SENZAI: I see four roles to fulfill. The first is to offer advice as an outside director by deeply understanding each of our business. Air Water started with industrial gas and has expanded into other business areas, but I would like to provide advice on businesses other than gas after a more in-depth study. The second is to give advice on cross-sectional functions across the business units. The third is to appropriately reflect the perspectives of external stakeholders in the management. And the fourth, I recognize that we must develop

our communication with our external stakeholders enough to gain further understanding of our company.

Q: What do you consider to be our strengths and weaknesses as seen from the perspective of an outside director?

SAKAMOTO: Our strength is a very wide range of business areas and diverse group companies. However, this can be a strength and a weakness at the same time, so we must conduct our business with caution. Also, each of our employees likes a challenge that is a great strength and why I believe our company will be able to achieve further growth.

MATSUI: Our strength lies in our ability to create synergies among the businesses, given our diverse business operations and a number of group companies. Our weakness is that the synergy effects and PMI results of acquired companies have not been fully disclosed in numerical form, which is not well linked to the valuation of the stock price. That seems to me the weakness. I believe it is important to improve these points and disclose more information outside the company in the future.

Outside Director
Yukiko Sakamoto

Apr. 1972 Joined the Ministry of Labour
 (now the Ministry of Health, Labour,
 and Welfare)
Apr. 1996 Deputy Governor of Shizuoka
 Prefecture
Aug. 2002 Director, Human Resources
 Development Bureau, Ministry of
 Health, Labour and Welfare
July 2004 Member of the House of Councilors
June 2014 Corporate Director, AIR WATER INC.
 (current)



Q: There are various initiatives ongoing to develop the next generation of management talent. How would you assess our human capital strategy?

SAKAMOTO: Our company gives our employees the opportunity to gain management experience at group companies from a relatively young age, which I feel contributes to the development of management. I also expect that the mission grade system introduced in FY2022, along with the internal recruitment system, will function effectively and deliver results in the future.

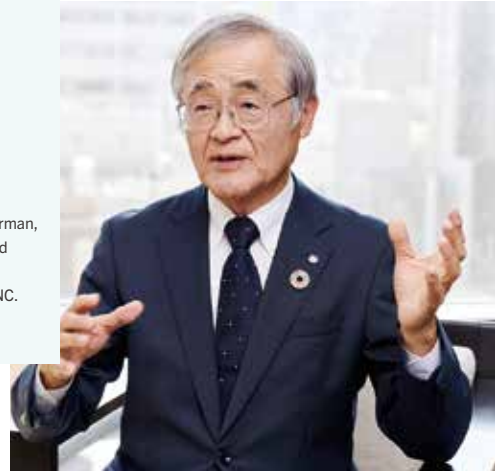
On top of that, promoting women's leadership has greatly advanced as well over the past decade. I think the main reasons for this is that the top management has a high level of insight regarding the advancement of women, and the women themselves have been actively involved in raising awareness and improving the environment. However, as a company that focuses on overseas expansion, I think we should not be satisfied with this. It is important to move forward with the goal of setting a global standard by further promoting the activities of younger generation, foreign nationals, and women.

MATSUI: I see it is a good trend that initiatives for the utilization and development of human resources, such as the internal recruitment system, are being introduced one after another. Since our business diversifies and keeps expanding overseas, I feel that the next generation of management must acquire essential management skills through experiencing not only the sales but also various departments, such as planning and human resources.

SENZAI: I am also a visiting professor at a university, and I believe that education of

Outside Director
Yoshihiro Senzai

Apr. 1971 Joined Hitachi Maxell, Ltd. (now Maxell Holdings, Ltd.)
 June 2016 Chairman, Maxell Holdings, Ltd.
 Oct. 2017 Representative Director and Chairman, Maxell Holdings, Ltd.; Director and Chairman, Maxell, Ltd.
 June 2022 Corporate Director, AIR WATER INC. (current)



human resources, especially management personnel for manufacturing, is an issue. I have been focusing very much on human resources training in my career. In particular, since all technical employees have different backgrounds, the content of their understanding may inevitably change even if they are trained on a one-off basis. Therefore, in human resources training, it is necessary to set up case studies and create common values and terminology among all employees. To this end, I think we should set a time frame, select the target group to some extent, and thoroughly conduct the training program.

Q: We are accelerating our overseas expansion for further growth. How do you evaluate the strategy?

MATSUI: I am sure that overseas expansion is essential for our company's growth. I am strongly in favor of promoting business development in India and North America, where market growth is expected in the industrial gas field, which is the keystone of our diverse business domain.

However, even in the industrial gas business with a proven track record and expertise, there are business risks unique to overseas, and once a problem occurs, overseas business can be greatly affected. In overseas, if the parent company does not have good management control over

its subsidiaries, the environment will be prone to fraud, so special attention should be paid to this point. As with the development of overseas human resources, I will be proactive in making recommendations to strengthen the internal controls of our overseas subsidiaries.

SENZAI: I do not yet have the impression that our company is aggressively expanding overseas, but I appreciate the fact that we are pursuing overseas expansion for the sake of growth. Our strength is that we are able to expand overseas based on our industrial gas and other businesses with infrastructure elements. In addition to that, we have a diverse business domain and can offer a variety of products and services. So, I believe that we can surely grow if we can successfully arrange and bring what is appropriate for each country.

And since a brand is essential to get trust in each local market in expanding overseas, I believe we need to promote measures to strengthen our brand power suited to each country.

From a technical point of view, I also believe that we need to appropriately manage the technology we possess in terms of intellectual property.

Board Members

(Directors and Audit & Supervisory Board Members) (as of September 30, 2023)

Corporate Directors

Chairman and Representative Director
Chief Executive Officer (CEO)

Kikuo Toyoda

Number of the Company's shares held
87,872
Board of Directors meeting attendance in FY22
14/14



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

President and Representative Director
Chief Operating Officer (COO)

Ryosuke Matsubayashi

Number of the Company's shares held
26,217
Board of Directors meeting attendance in FY22
11/11*



Apr. 1988 Joined Daido Sanso Co., Ltd. (merged to the current AIR WATER INC. in Apr. 1993)
June 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.
June 2018 Corporate Director and in charge of Engineering Management Office, AIR WATER; Director and President, AIR WATER AMERICA INC.
June 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)

Corporate Director
Senior Managing Executive Officer
General Manager of Group Technology Center

Keita Hara

Number of the Company's shares held
10,570
Board of Directors meeting attendance in FY22
11/11*



June 1985 Joined Sharp Corporation
Dec. 2016 Director, Sharp Life Science Corporation
Mar. 2019 President, AIR WATER BIODESIGN INC.
Feb. 2020 Senior Executive Officer and General Manager of Corporate Technology Strategy Center, AIR WATER INC. ("Air Water"); President, AIR WATER BIODESIGN INC.
June 2022 Corporate Director, Senior Managing Executive Officer, in charge of Wellness Field, and Director of Group Technology Center, Air Water
June 2023 Corporate Director, Senior Managing Executive Officer, and General Manager of Group Technology Center, Air Water (current)

Corporate Director, Managing Executive Officer
Representative of Tokyo
In charge of Health & Safety Group
General Manager of Consumer Health Business Unit

Hidetoshi Onoe NEW

Number of the Company's shares held
6,683



Nov. 1988 Joined KYOWA CO., LTD.
July 2007 Director and Vice President, Air Water Sol Inc.
Jan. 2015 Executive Officer, 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 INC. ("Air Water")
Apr. 2023 Managing Executive Officer and in charge of Health & Safety Group, Air Water
June 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 (current)

Corporate Director
Managing Executive Officer
In charge of Global & Engineering Group
General Manager of Engineering Center

Shigeki Otsuka NEW

Number of the Company's shares held
4,044



Apr. 1984 Joined The Kansai Electric Power Co., Inc.
May 2020 Advisor, AIR WATER SAFETY SERVICE INC.
June 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
June 2023 Corporate Director, Managing Executive Officer, in charge of Global & Engineering Group, and General Manager of Engineering Center, Air Water (current)

Corporate Director
Managing Executive Officer
In charge of Digital & Industry Group
General Manager of Industrial Gases Business Unit

Tsuyoshi Tanaka NEW

Number of the Company's shares held
13,280



Apr. 1991 Joined Daido Sanso Co., Ltd. (merged to the current AIR WATER INC. in Apr. 1993)
July 2011 Manager of Air Gas Business under Industrial Gas Business at Industrial Company, AIR WATER INC. ("Air Water")
June 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.
June 2023 Corporate Director, Managing Executive Officer, in charge of Digital & Industry Group, and General Manager of Industrial Gases Business Unit, Air Water (current)

Outside Director
Independent Officer

Yukiko Sakamoto

Number of the Company's shares held
4,428
Board of Directors meeting attendance in FY22
14/14



Apr. 1972 Joined the Ministry of Labour (now the Ministry of Health, Labour, and Welfare)
Apr. 1996 Deputy Governor of Shizuoka Prefecture
Aug. 2002 Director, Human Resources Development Bureau, Ministry of Health, Labour and Welfare
July 2004 Member of the House of Councilors
June 2014 Corporate Director, AIR WATER INC. (current)

Outside Director
Independent Officer

Takao Matsui

Number of the Company's shares held
233
Board of Directors meeting attendance in FY22
14/14



Oct. 1982 Joined Asahi & Co. (now KPMG AZSA LLC)
July 2010 Partner, KPMG AZSA LLC
Sept. 2014 Auditor, KPMG AZSA LLC
June 2020 Corporate Director, AIR WATER INC. (current)

Corporate Director

Outside Director
Independent Officer

Yoshihiro Senzai

Number of the Company's shares held 5,307
Board of Directors meeting attendance in FY22 11/11*



Apr. 1971 Joined Hitachi Maxell, Ltd. (now Maxell Holdings, Ltd.)
June 2016 Chairman, Maxell Holdings, Ltd.
Oct. 2017 Representative Director and Chairman, Maxell Holdings, Ltd.; Director and Chairman, Maxell, Ltd.
June 2022 Corporate Director, AIR WATER INC. (current)

Audit & Supervisory Board Members

Standing Statutory Auditor

Hiromi Yanagisawa

Number of the Company's shares held 2,000
Board of Directors meeting attendance in FY22 14/14
Audit & Supervisory Board meeting attendance in FY22 14/14



Apr. 1971 Joined Sumitomo Corporation
Oct. 1997 General Manager of Financial Affairs, Sumitomo Corporation Europe Limited
Apr. 2001 General Manager of Metal Resources and Accounting Division, Sumitomo Corporation
June 2003 Executive Officer and General Manager of the Financial Affairs Division at Corporate Solutions Center, AIR WATER INC.
June 2016 Standing Statutory Auditor, AIR WATER INC. (current)

Standing Statutory Auditor

Yuji Ando

Number of the Company's shares held 11,454
Board of Directors meeting attendance in FY22 14/14
Audit & Supervisory Board meeting attendance in FY22 14/14



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

Outside Corporate Auditor (Standing)
Independent Officer

Kunihiko Tsuneyoshi

Number of the Company's shares held 1,590
Attendance at Board of Directors meetings in FY2022 14/14
Audit & Supervisory Board meeting attendance in FY22 14/14



Apr. 1981 Joined The Sumitomo Trust and Banking Co., Ltd. (now Sumitomo Mitsui Trust Bank, Limited)
June 2005 Manager of Kanazawa Branch, The Sumitomo Trust and Banking Co., Ltd.
June 2010 Executive Officer and Director of 1st Osaka HQ Sales Office, The Sumitomo Trust and Banking Co., Ltd.
June 2020 Standing Corporate Auditor, AIR WATER INC. (current)

Outside Corporate Auditor
Independent Officer

Atsushi Hayashi

Number of the Company's shares held 2,507
Attendance at Board of Directors meetings in FY2022 13/14
Audit & Supervisory Board meeting attendance in FY22 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
June 2016 Audit & Supervisory Board Member, AIR WATER INC. (current)

Outside Corporate Auditor
Independent Officer

Nobuo Hayashi

Number of the Company's shares held 2,314
Attendance at Board of Directors meetings in FY2022 14/14
Audit & Supervisory Board meeting attendance in FY22 13/14



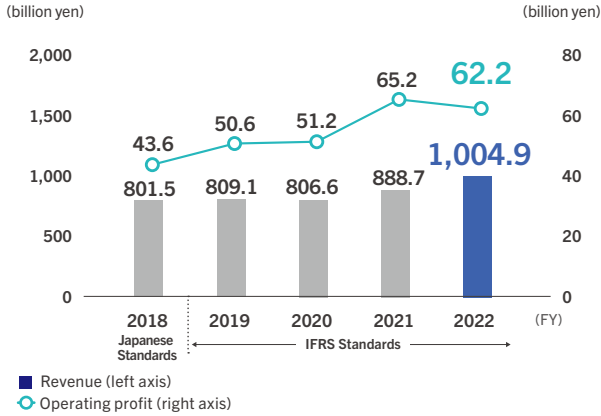
Apr. 1988 Professor, School of Law, Senshu University
Apr. 2001 Professor, Graduate School of Law, Kyoto University; Professor, Faculty of Law, Kyoto University
Oct. 2012 Vice-President for Legal Affairs and Compliance, Kyoto University
June 2020 Audit & Supervisory Board Member, AIR WATER INC. (current)

*Number of attendance since inauguration

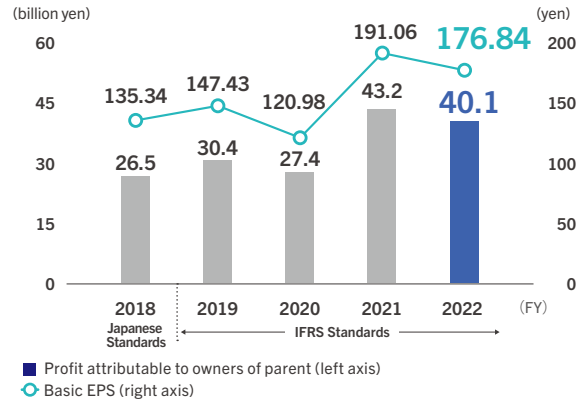
Financial and Non-Financial Highlights

Financial *Under JGAAP until FY2018, IFRS from FY2019 onward

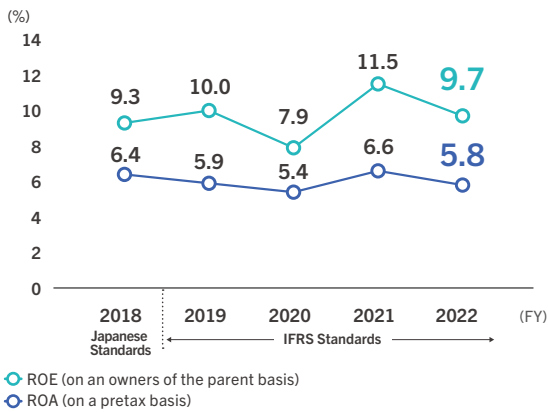
Revenue Operating profit



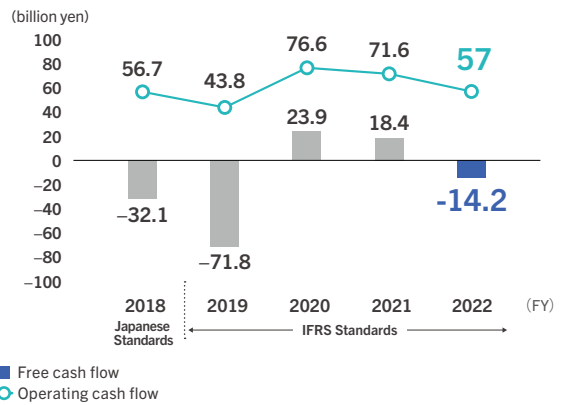
Profit attributable to owners of parent Basic EPS



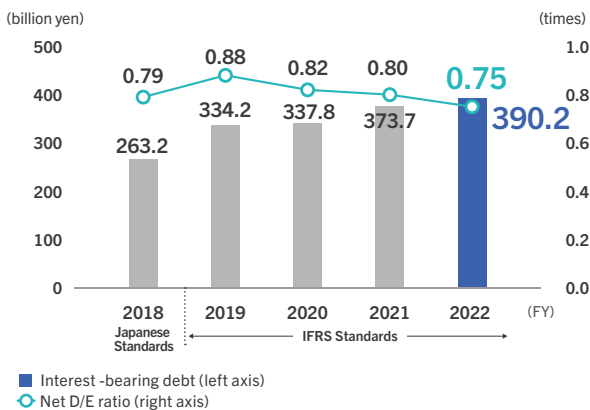
ROE ROA



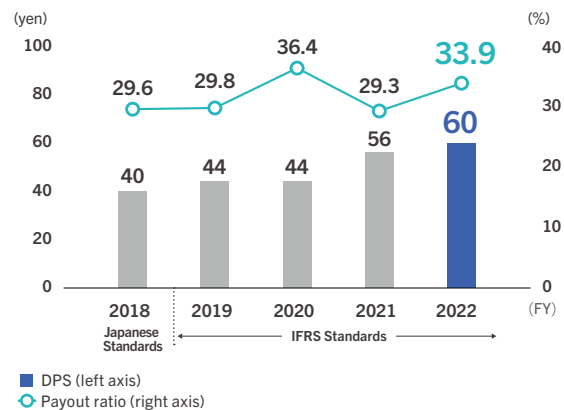
Free cash flow Operating cash flow



Interest-bearing debt Net D/E ratio



Dividend per share Payout ratio

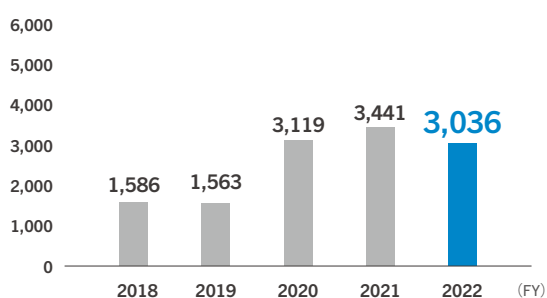


Non-financial

GHG emissions

(Scope1+2)

(1000t-CO₂e)

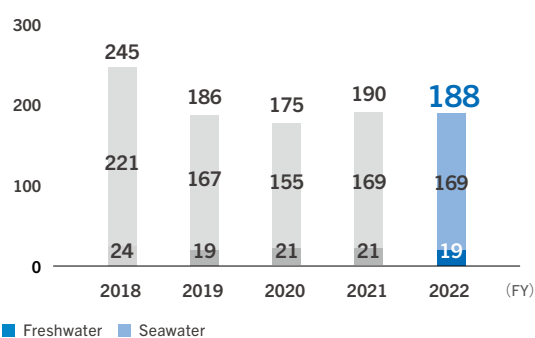


*Based on the Act on the Rational Use of Energy until FY2019 / the GHG Protocol from FY2020 onward

*Data has been third-party verified by the Japan Quality Assurance Organization

Water consumption

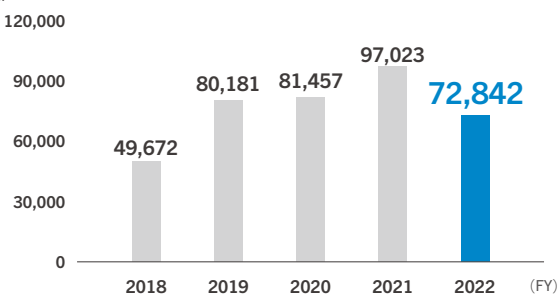
(million m³)



*Including consolidated subsidiaries with a large environmental impact

Industrial waste emissions

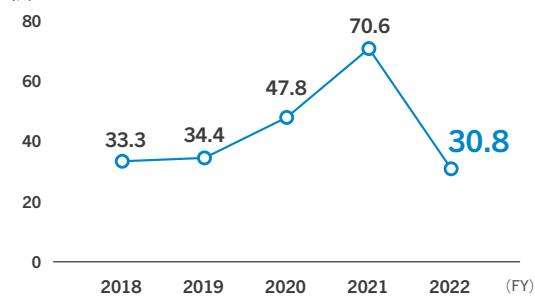
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*Including consolidated subsidiaries with a large environmental impact

Women in new graduate hires

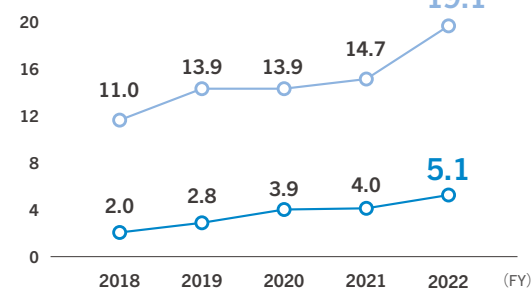
(%)



*AIR WATER INC. only

Women in supervisory positions

(%)

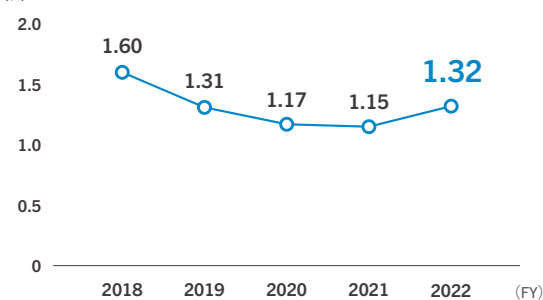


○ Women in managerial positions
□ Women in leadership positions

*AIR WATER INC. only, as of end of the FY.

Lost time injury frequency rate (at work)

(%)



*The Air Water Group (in Japan)

10-Year Financial and Non-Financial Data

Under JGAAP

(unit: million yen)

Fiscal year	2013	2014	2015	2016	2017	2018
Net sales	641,256	660,541	660,622	670,536	753,559	801,493
Operating income	35,078	36,126	39,524	41,341	42,398	43,580
Ordinary income	36,281	38,159	35,075	41,251	44,691	46,977
Net income attributable to shareholders of parent	19,225	20,702	20,139	22,337	25,173	26,468
Capital investment	32,348	32,028	42,236	40,587	61,309	78,526
Depreciation	24,337	25,222	26,620	25,524	27,119	27,620
Cash flows from operating activities	48,248	51,071	43,512	58,873	47,764	56,690
Cash flows from investing activities	(52,186)	(35,483)	(40,647)	(44,357)	(61,637)	(88,804)
Cash flows from financing activities	4,620	(7,940)	(8,115)	(8,553)	4,489	40,905
Free cash flow	(3,938)	15,587	2,864	14,516	(13,872)	(32,114)
Fiscal year end						
Total assets	528,092	547,642	575,832	629,115	693,101	783,047
Interest-bearing debt	155,479	154,864	157,795	172,403	203,183	263,165
Shareholder's equity	203,500	226,375	234,726	255,984	277,954	291,211
Per-share data						
	(yen)					
EPS (yen)	98.32	105.75	102.73	114.53	128.95	135.34
BPS (yen)	1,040.22	1,155.80	1,196.92	1,312.55	1,422.60	1,487.58
DPS (yen)	26	28	28	34	38	40
Major indicators						
Ordinary income margin (%)	5.7	5.8	5.3	6.2	5.9	5.9
ROA (%)	7.2	7.1	6.2	6.8	6.8	6.4
ROE (%)	9.9	9.6	8.7	9.1	9.4	9.3
Equity ratio (%)	38.5	41.3	40.8	40.7	40.1	37.2
Net D/E ratio (x)	0.66	0.58	0.57	0.55	0.65	0.79
Dividend payout ratio (%)	26.4	26.5	27.3	29.7	29.5	29.6
Non-financial information						
Number of employees (consolidated)	9,557	10,147	11,334	12,580	14,265	15,757
Number of consolidated subsidiaries	75	81	85	101	111	130

Under IFRS

(unit: million yen)

Fiscal year	2018	2019	2020	2021	2022
Revenue	742,288	809,083	806,630	888,668	1,004,914
Operating Profit	42,799	50,616	51,231	65,174	62,181
Profit before tax	42,111	49,830	49,651	64,230	60,978
Profit	30,139	33,526	30,410	46,263	42,649
Profit attributable to owners of parent	28,815	30,430	27,367	43,214	40,137
Capital investment	82,269	62,900	51,972	45,461	66,367
Depreciation	30,776	34,994	39,033	43,378	44,987
Cash flows from operating activities	61,212	43,784	76,601	71,572	56,953
Cash flows from investing activities	(91,615)	(115,597)	(52,699)	(53,154)	(71,135)
Cash flows from financing activities	39,045	80,981	(20,889)	(6,622)	19,257
Free cash flow	(30,403)	(71,813)	23,902	18,418	(14,182)
Fiscal year end					
Total assets	785,944	899,699	926,821	1,022,031	1,091,645
Interest-bearing debt	276,942	334,248	337,826	373,745	390,219
Equity attributable to owners of parent	278,053	331,992	357,797	395,131	430,232
Per-share data					
Basic EPS (yen)	147.33	147.43	120.98	191.06	176.84
DPS (yen)	40	44	44	56	60
Shares outstanding at the year end	198,705,057	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
ROA on a pretax basis (%)	5.7	5.9	5.4	6.6	5.8
ROE (%)	10.6	10.0	7.9	11.5	9.7
Equity attributable to owners of parent to total assets (%)	35.4	36.9	38.6	38.7	39.4
Net D/E ratio (x)	0.88	0.88	0.82	0.80	0.75
Dividend payout ratio (%)	27.1	29.8	36.4	29.3	33.9
Overseas revenue ratio (%)	5.0	6.9	8.6	8.6	9.3
Non-financial information					
Number of employees (consolidated)	15,825	18,211	18,843	19,560	20,109
Number of consolidated subsidiaries*	112	125	124	127	142

*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	FY2020	FY2021	FY2022
Private meetings with institutional investors	133	128	128
Earnings calls for analysts/institutional investors	4	4	4
Presentations on management policy/plan	0	1	1
Facilities tours	0	0	2
Brokerage conferences	3	4	4
Events for individual investors	0	0	1

Rating

(As of September 30, 2023)

Rating and Investment Information Inc. (R&I)	A+
Japan Credit Rating Agency, Ltd. (JCR)	AA-

Major Selected Indices

(As of September 30, 2023)

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		

IR Website



For more extensive IR-related information, please visit our Investor Relations website.

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

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



Corporate Profile

(As of March 31, 2023)

Company Name	AIR WATER INC.	Established	September 24, 1929
Head Office	12-8 Minami-Semba 2-chome, Chuo-ku, Osaka, Japan	Paid-in Capital	¥55,855 million
	Tel: (+81) 6-6252-5411	Number of Employees	20,109 (consolidated)
	Fax: (+81) 6-6252-3965	URL	https://www.awi.co.jp/en/

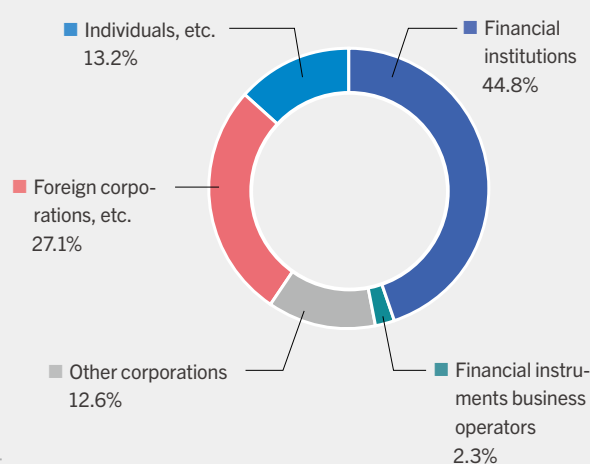
Stock & Shareholder Information

(As of September 30, 2023)

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 April 1 to March 31
Annual General Meeting of Shareholders	Held every June
Record Dates	Annual General Meeting: Every March 31
	Year-end dividend: Every March 31
	Interim dividend: Every September 30
Authorized Shares	480,000,000
Outstanding Shares	229,755,057
Number of Shareholders	26,898

Distribution of shares by owner



Principal Shareholders

(As of September 30, 2023)

Name	Shares Held	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	29,278,200	12.74
Custody Bank of Japan, Ltd. (trust account)	13,388,100	5.83
Sumitomo Mitsui Trust Bank, Limited	7,936,000	3.45
Nippon Steel Corporation	6,900,000	3.00
Sumitomo Mitsui Banking Corporation	6,259,198	2.72
Air Water Customers' Stockholding	5,999,248	2.61
STATE STREET BANK AND TRUST COMPANY 505001	5,688,854	2.48
National Mutual Insurance Federation of Agricultural Cooperatives	4,951,500	2.16
North Pacific Bank, Ltd.	4,574,473	1.99
Air Water Group Stockholding	4,167,964	1.81



Meeting society's needs with nature's blessings.

