

Growth Path and Business Portfolio Transition

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

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

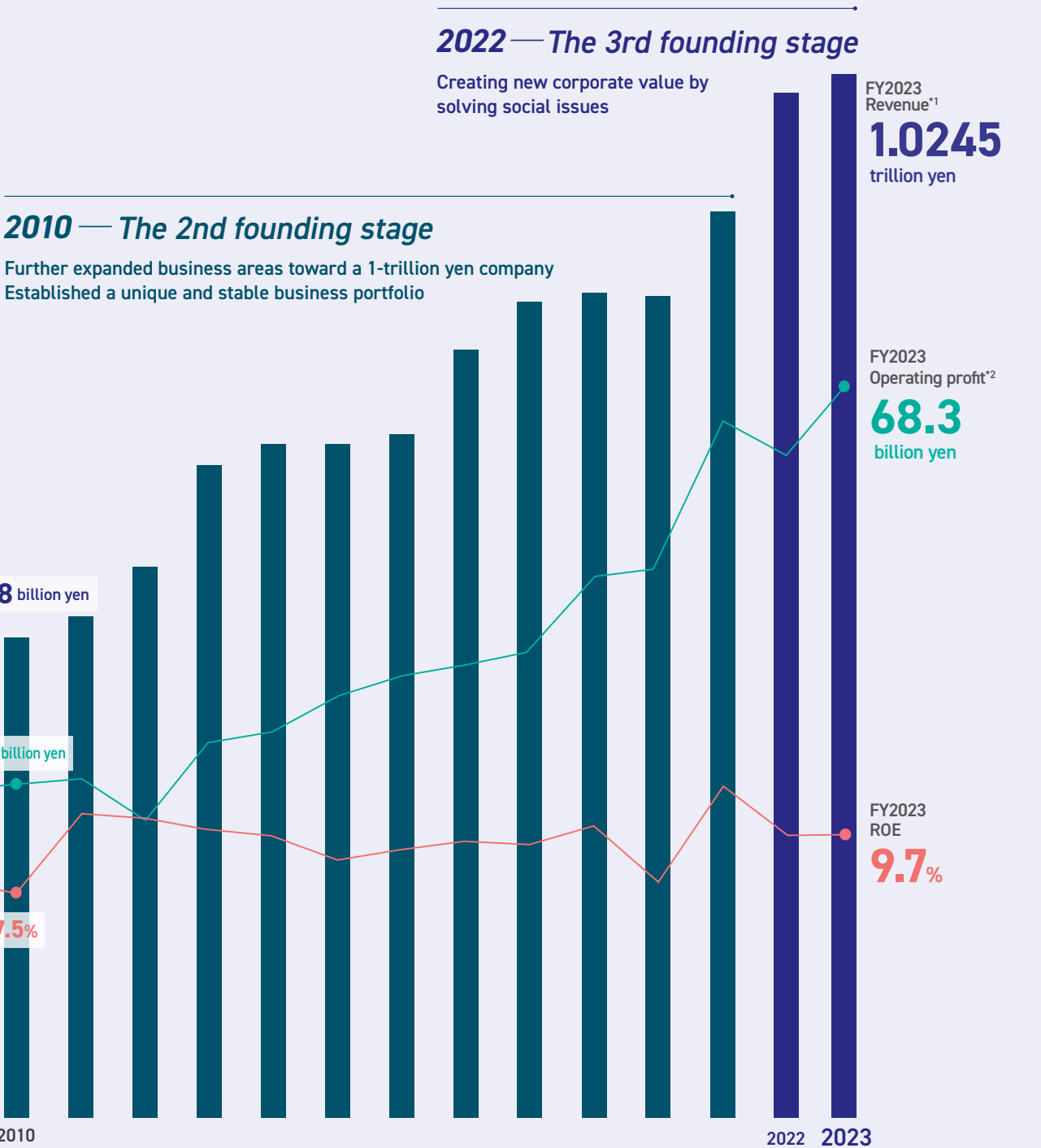
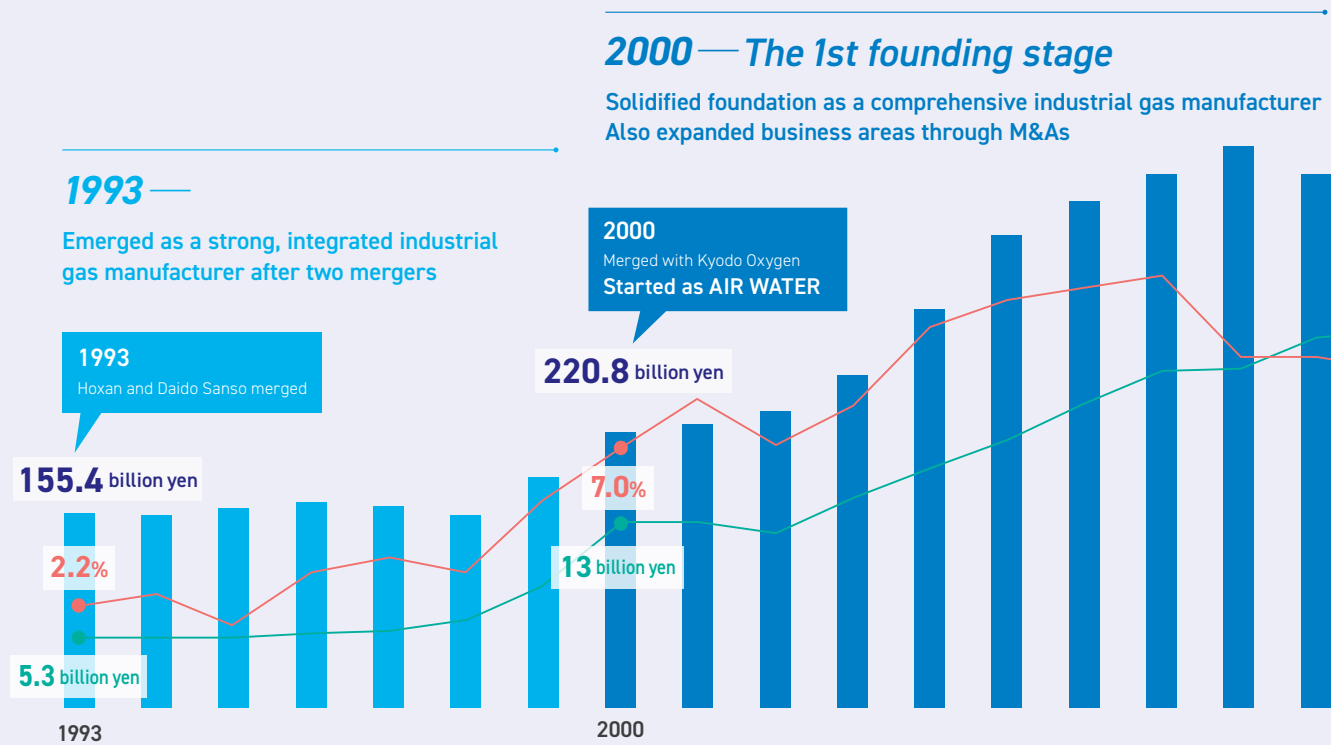
After 2000, when Air Water was in the “first founding stage,” we established a solid foundation as an industrial gas manufacturer.

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

use of M&As.

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

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



*Pie charts shows revenue composition by business segment.

*1 Net sales until FY2018 (Japanese Accounting Standards)

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

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

Our Value Creation History

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

1929 — History of the three founding companies

A time when “oxygen users” started companies with a mission.




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

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





Businesses leading to the present

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




Daido Sanso 1933 Established: Osaka City

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



Businesses leading to the present

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



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

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

Businesses leading to the present

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

2000

Daido Hoxan and Kyodo Oxygen merged into Air Water

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

1993

Hoxan and Daido Sanso merged into Daido Hoxan

Business Area Expansion
×
Establishing the Groundwork for Diversification

2000 — 2021

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

Strengthening the foundation of industrial gas business



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

*High-efficiency compact liquefied oxygen/nitrogen generator

Enhanced our lifestyle-related products and services



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

2022 — Present

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

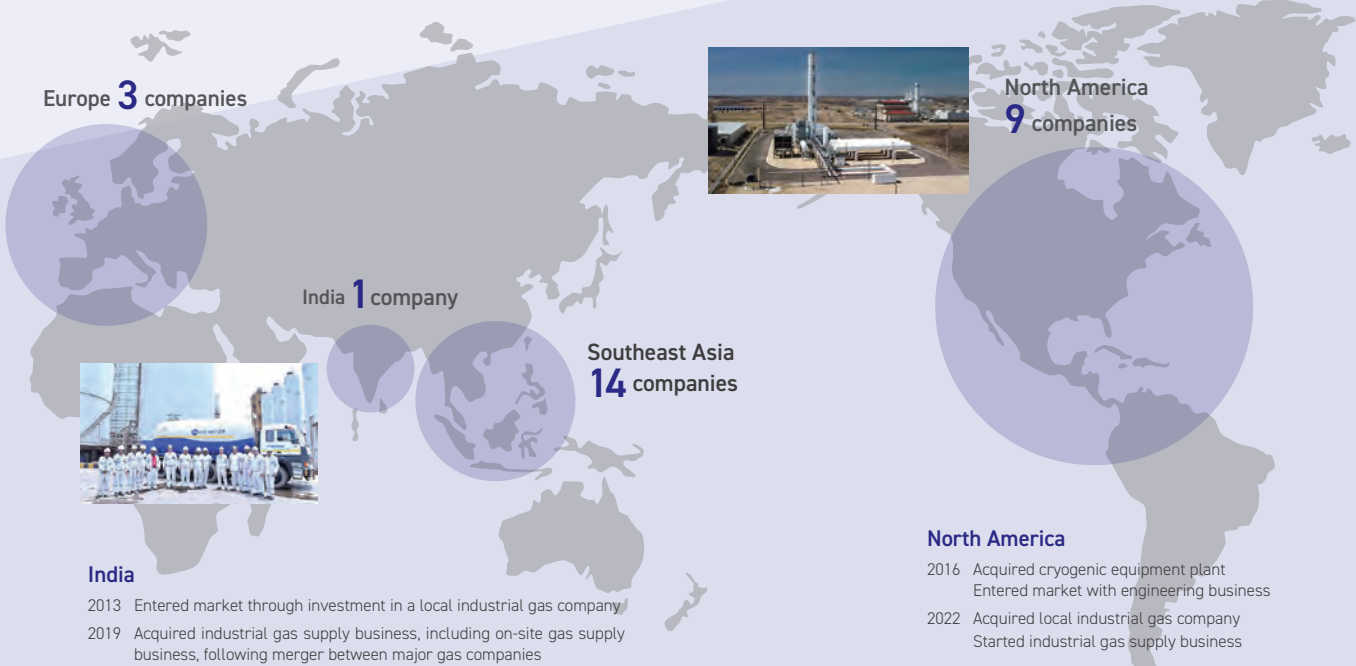
Management Progress



- FY2022**
- Achieved revenue of 1 trillion yen
 - Announced “terrAWell30,” a vision toward 2030
 - Upward revision of CO₂ emission reduction targets
 - Endorsed TCFD Recommendations
- FY2023**
- Achieved record-high revenue and operating profit
 - Established the “Hometown Support H Program,” a donation system for Hokkaido municipalities
 - Started collaboration with four major domestic agribusiness companies

Full-scale overseas business development

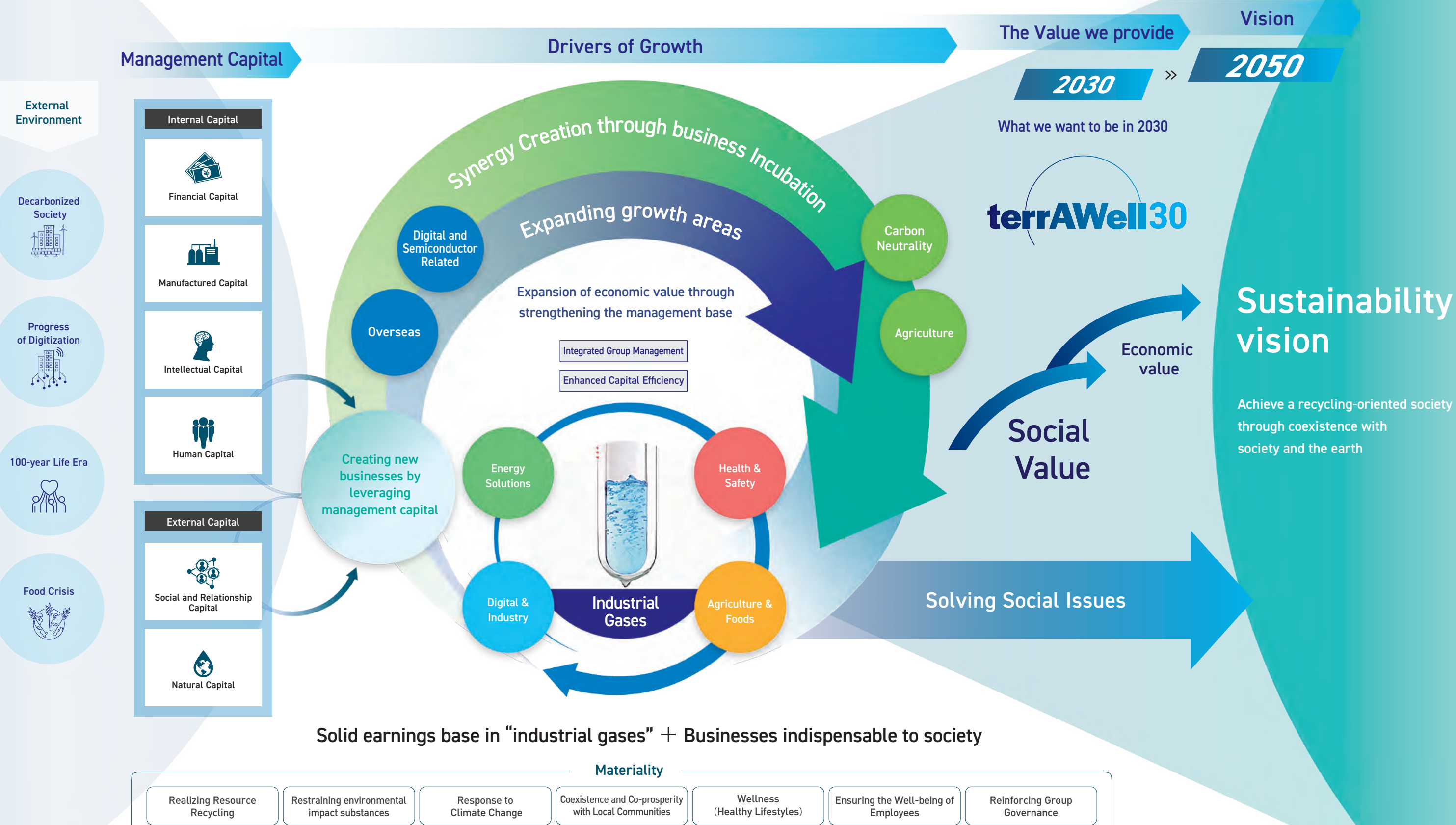
- India**
- Secured on-site gas supply contract with Steel Authority of India Limited (SAIL)
 - Constructed manufacturing facility in Chennai
- North America**
- Secured on-site gas supply contract in NY
 - Acquired helium supply business in the U.S.
- High-power UPS (uninterruptible power supply)**
- Received orders for large-scale projects driven by data center market growth



Value Creation Process

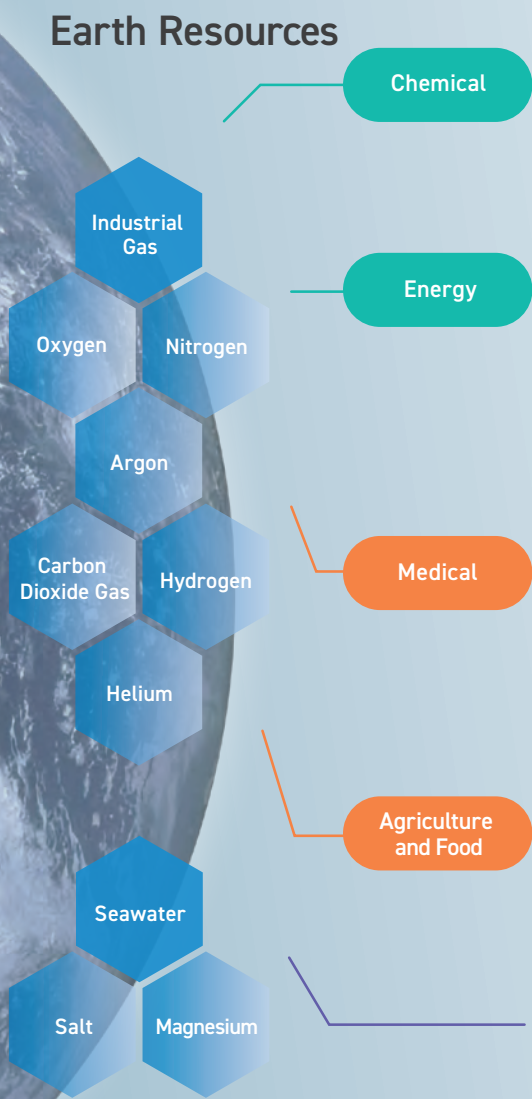
Our Purpose Meeting society’s needs with nature’s blessings

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

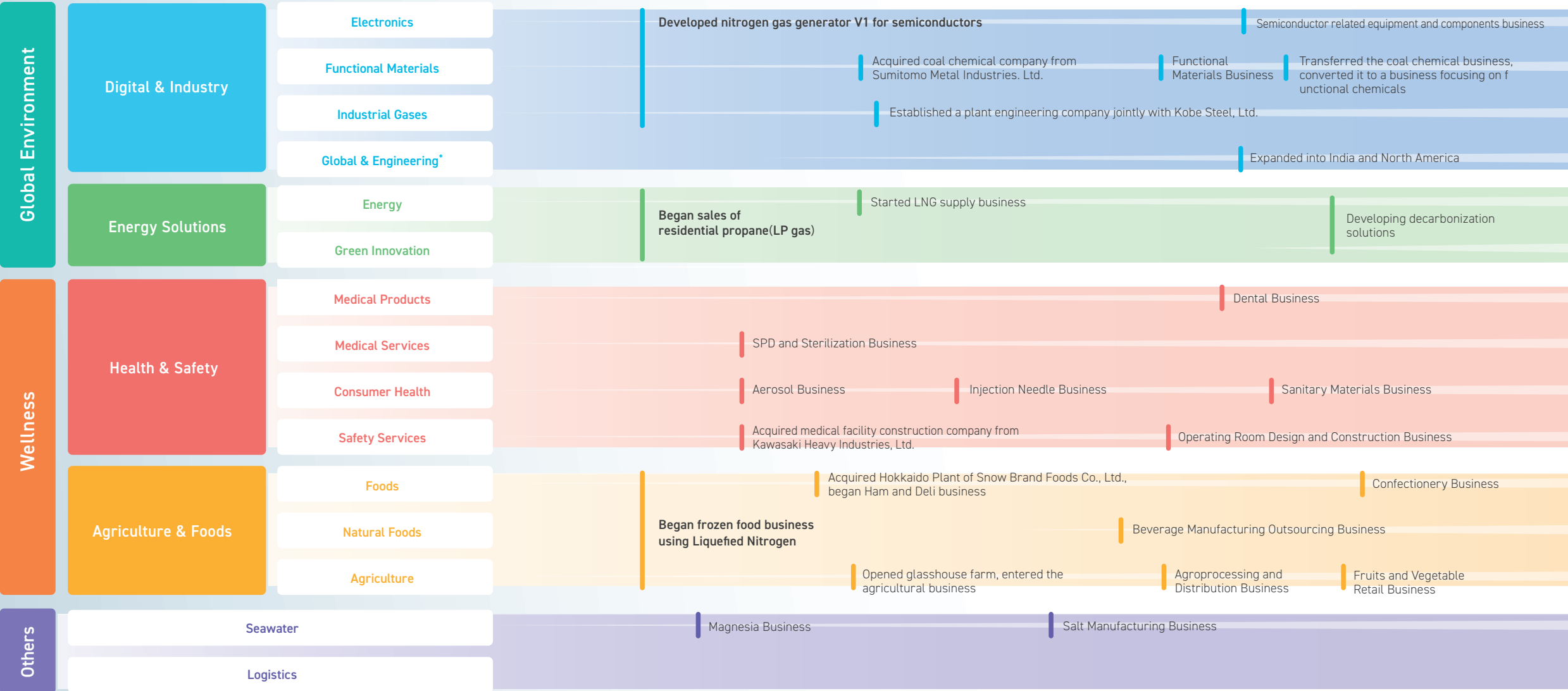


The Driving Force for Value Creation

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



Peripheral Business Areas Expanded from Industrial Gas



*Transferred to the business segment Others from FY2023

Cumulative Number of M&A Companies since 2000



An organizational culture integrating various cultures and values is fostered

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

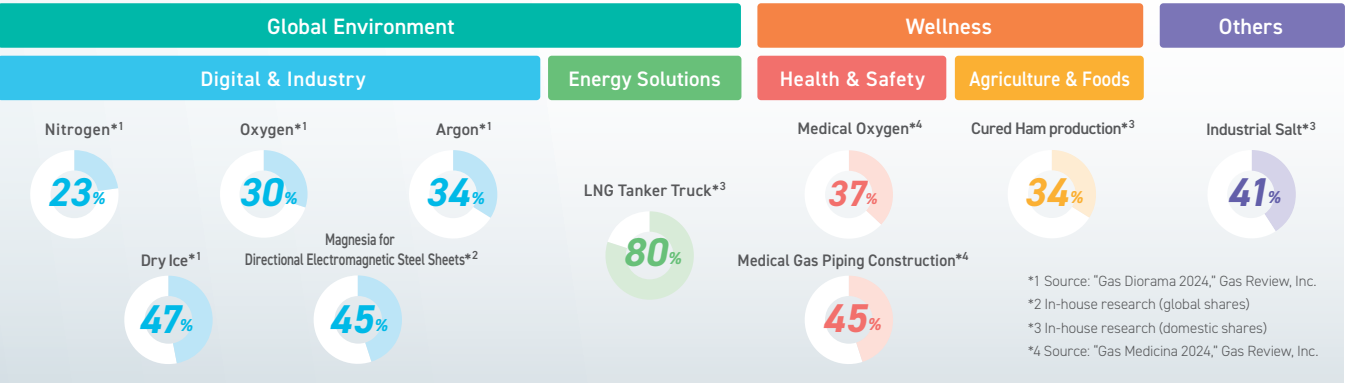
Number of Group Employees	Number of Overseas Employees	Engineering Human Resources	Group R&D Personnel
20,348 persons	3,471 persons	629 persons	298 persons

(as of Mar. 31, 2024)

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

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

Maintain high market share in wide range of business areas



Management Capital

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

Financial Capital

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

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

*Equity attributable to owners of parent

Intellectual capital

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

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

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

Social and Relationship Capital

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

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

Manufactured Capital

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

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

Human Capital

Human resources to realize the growth of the Group

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

Natural Capital

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

Energy consumption (electricity) (FY2023)	3,744 million kWh
Water consumption (FY2023)	193 million m³

Materiality

Materiality	Risks and Opportunities	Highly Relevant Business Domains	Related SDGs
1 Response to climate change	<div>Opportunities</div> <ul style="list-style-type: none">Using biomass to establish the locally produced and consumed energy supply systemSwitching from petroleum-based energy to low-carbon energy and offering the related equipmentProviding decarbonization solutions such as next generation fuels (hydrogen, liquefied biomethane) <div>Risks</div> <ul style="list-style-type: none">Stricter regulations on fossil fuel use and CO₂ emissionsShrinking existing energy markets with less demand due to energy conversionNegative impacts on production activities and logistics functions caused by increasingly severe natural disasters (high tides, floods, etc.)	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div>7</div><div>9</div><div>11</div><div>12</div><div>13</div></div>
2 Realizing resource recycling	<div>Opportunities</div> <ul style="list-style-type: none">Providing capture, refining, and purifying systems for industrial emissions (CO₂ capture and fixation, etc.)Reducing waste by promoting recycling and reuseBuilding a waste-recycling supply chain (e.g., treatment systems for food waste, livestock manure) <div>Risks</div> <ul style="list-style-type: none">Stricter waste treatment restrictions and higher disposal costsSpreading environmental issues/risks due to resource depletion, population growth, etc.	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div>6</div><div>11</div><div>12</div><div>13</div></div>
3 Restraining environmental impact substances	<div>Opportunities</div> <ul style="list-style-type: none">Providing waste gas refining equipment, water treatment facilities, and products for waste gas/water and soil remediationUsing plastic alternatives in drink containers and packaging materials <div>Risks</div> <ul style="list-style-type: none">Water's scarcity and worse quality impacting procurement/production activitiesHigher costs due to tighter regulations on chemical substanceTighter plastic restrictions	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div>6</div><div>11</div><div>12</div><div>13</div><div>14</div><div>15</div></div>
4 Coexisting and Co-prosperity with local communities	<div>Opportunities</div> <ul style="list-style-type: none">Providing solutions to minimize risks from natural disastersDelivering products and services that contribute to the better social infrastructure system such as sewage systemsCreating businesses that boost regional employment and revitalize regional economiesMore needs for smart factories and smart agriculture <div>Risks</div> <ul style="list-style-type: none">Declining local economies due to fewer population (falling birthrate and aging population) and urban concentrationIncreasing in severity of damage from natural disastersIncreasing operation and maintenance costs due to aging social infrastructure	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div>2</div><div>3</div><div>6</div><div>8</div><div>9</div><div>11</div><div>12</div><div>13</div></div>
5 Wellness (Healthy living)	<div>Opportunities</div> <ul style="list-style-type: none">Delivering products and services that contribute to the advancement and remote control of medical careDelivering products and services that enable self-medicationSupplying food ingredients that are tasty, safe, reliable, and healthy <div>Risks</div> <ul style="list-style-type: none">Increasing medical costs by aging population and extending healthy-life expectancyChanges in disease patterns, including chronic and complex lifestyle diseases	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div>2</div><div>3</div><div>8</div><div>12</div></div>
6 Ensuring the well-being of employees	<div>Opportunities</div> <ul style="list-style-type: none">Enhancing workstyle and work-life balance through ICTPromoting employee's career development and diversity managementPromoting a workplace environment where employees can work with peace of mind and in good physical and mental health <div>Risks</div> <ul style="list-style-type: none">Decreased labor productivity and outflow of excellent human resources if without appropriate measuresRisk of impaired employee's healthDiversified values of employees by business globalization	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div>3</div><div>4</div><div>5</div><div>8</div><div>10</div><div>11</div><div>16</div><div>17</div></div>
7 Reinforcing group governance	<div>Opportunities</div> <ul style="list-style-type: none">Enhancing internal controls by integrating/reorganizing subsidiariesEnsuring compliance and reinforcing risk managementHigher stakeholders' trust through greater transparency <div>Risks</div> <ul style="list-style-type: none">Business continuity risk and unexpected losses from dysfunctional internal controlsLosing social credibility due to compliance violationsInadequate risk management due to M&A and business expansion	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div>8</div><div>16</div><div>17</div></div>

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