

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

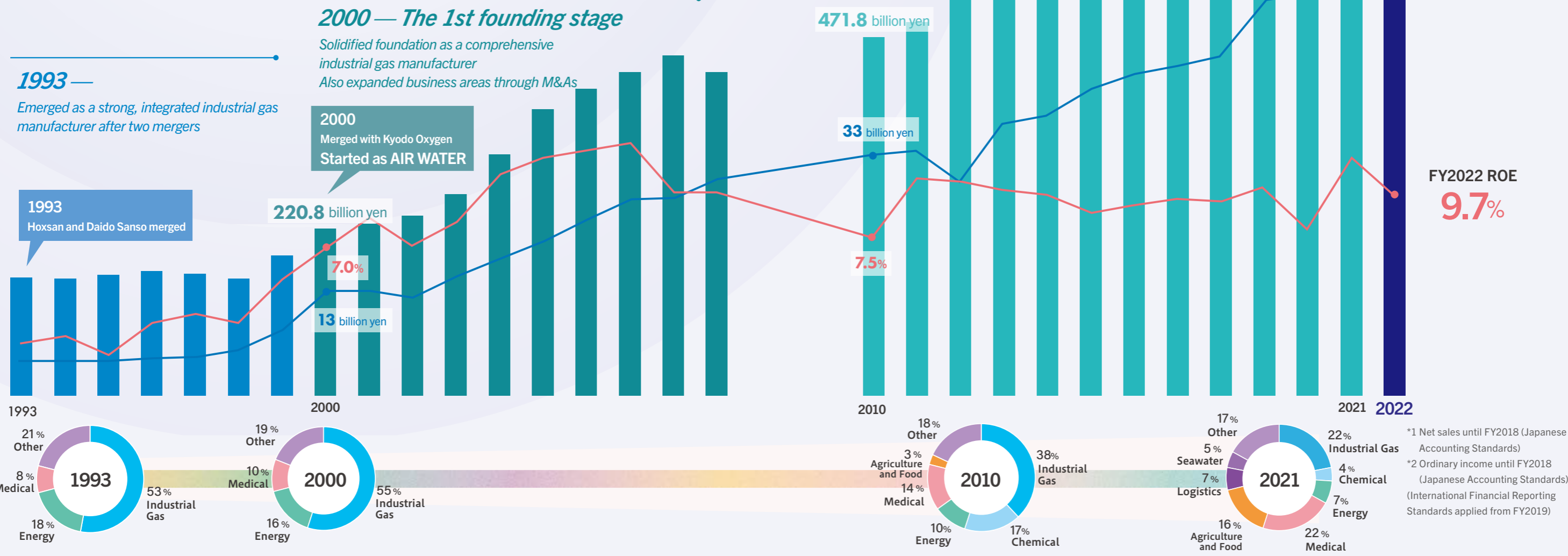
Air Water was originally started by three companies with different histories and cultures, Hoxan, Daido Sanso, and Kyodo Oxygen, who came together to contribute to industry and society through “air and water,” and then established through two mergers in 1993 and 2000. Then the company has achieved a 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.

*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.

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.

Global Resources

Making full use of nature's blessings for our business



GLOBAL RESOURCES

"Indispensable" products and services

Delivering without ever running out

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

Business Areas

| Digital & Industry | |
|----------------------|-------------|
| Industrial Gases | Electronics |
| Functional Materials | |

| Energy Solutions |
|------------------|
| Energy |
| Green Innovation |

| Health & Safety | Agriculture & Foods | Others |
|------------------|---------------------|----------------------|
| Medical Products | Foods | Seawater |
| Medical 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.

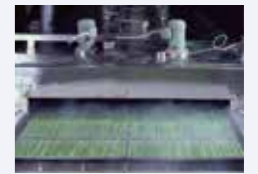


1970s

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

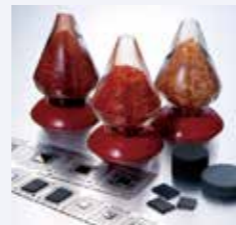
Began production of ham and sausage

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



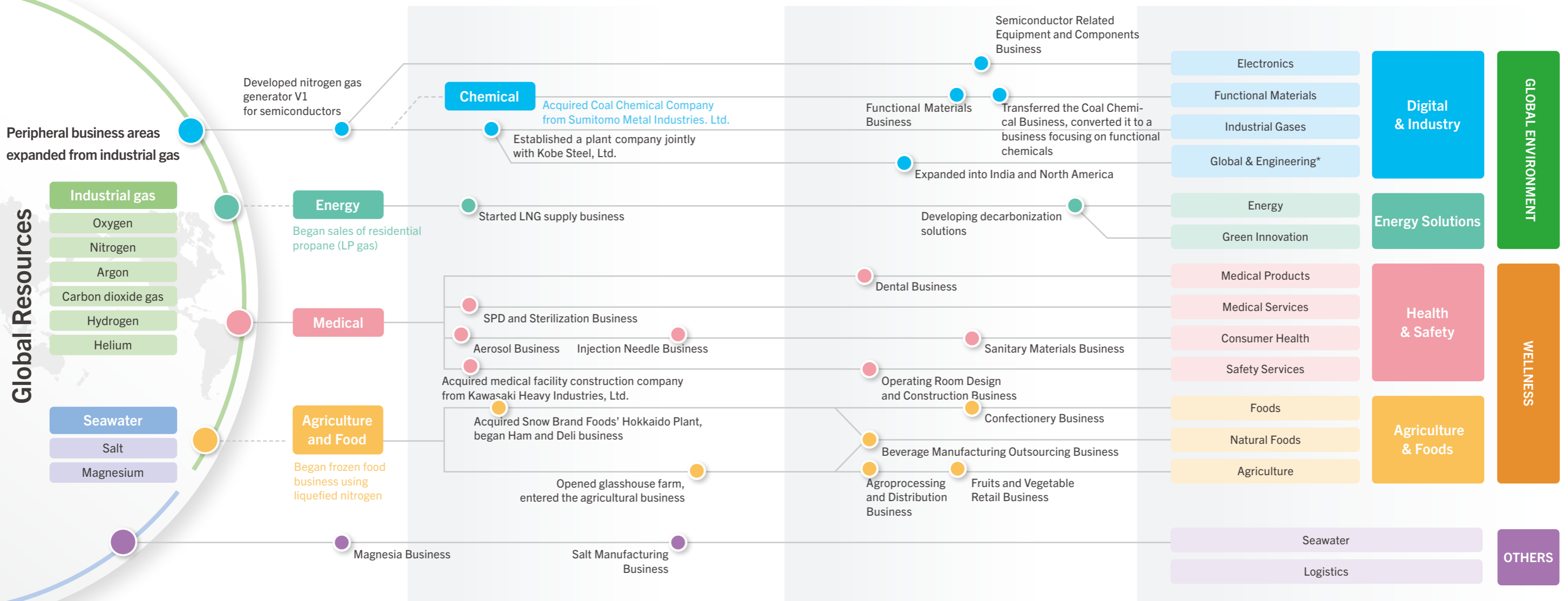
Agriculture & Foods

- 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

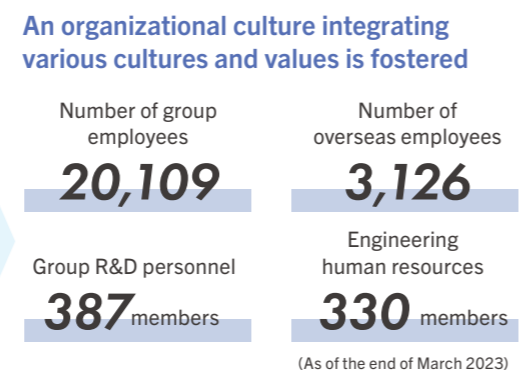


The Driving Force for Value Creation

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



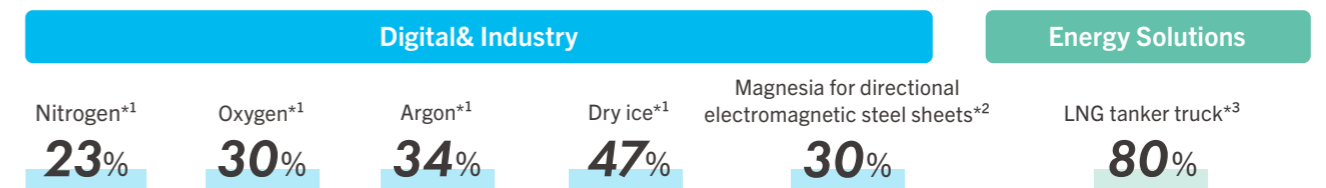
M&A of AIR WATER is not just “add up.” It has pursued to create new value by “multiplication” by successfully integrating organizational culture, human resources, and technology with existing businesses. Our M&As have facilitated the creation of common management and synergies between businesses, enabling 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.



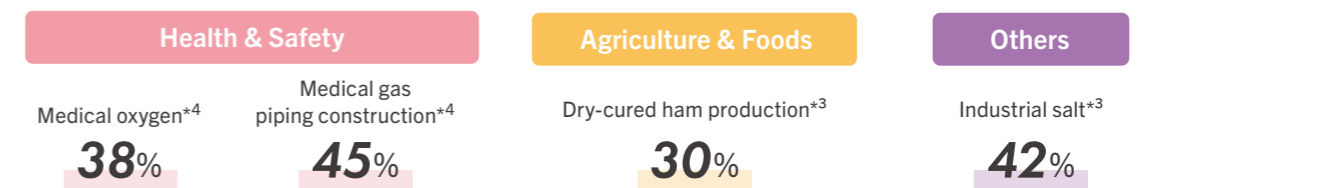
In addition to the strengths of each business that have joined the group through M&As, we have taken advantage of human resources with diverse experience and capabilities.

Maintain high market share in diverse business areas

GLOBAL ENVIRONMENT



WELLNESS



^{*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.

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.

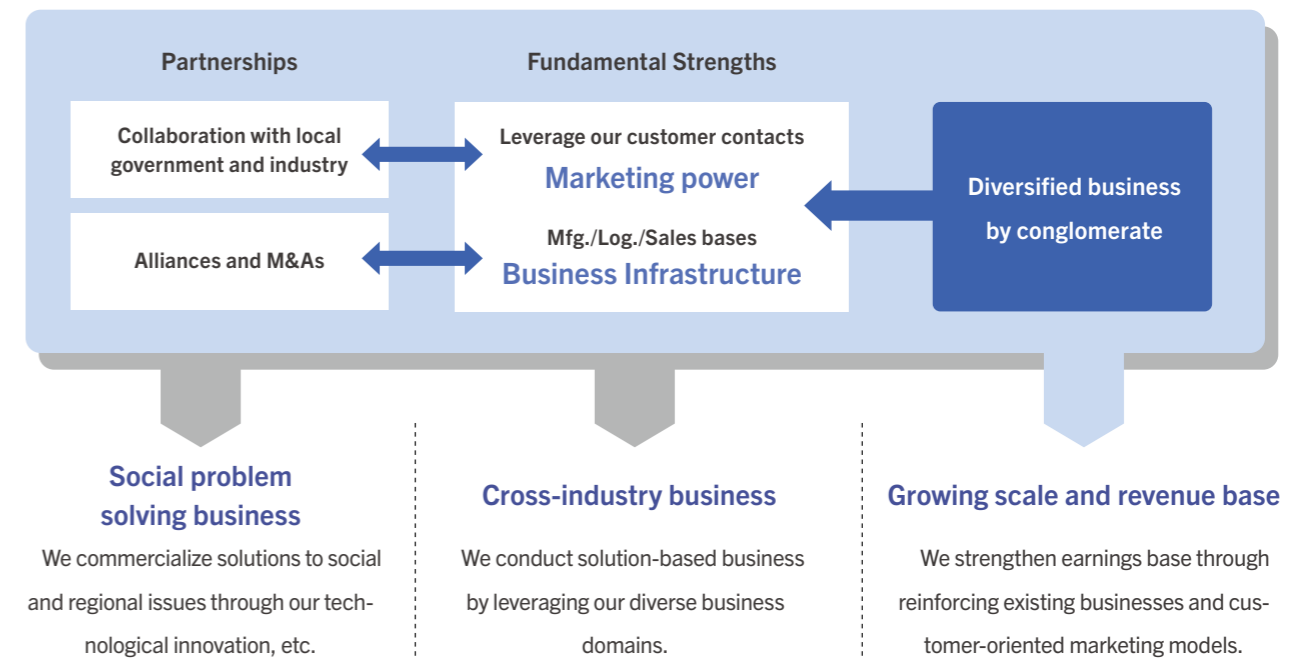
2020

Launched the three new regional companies

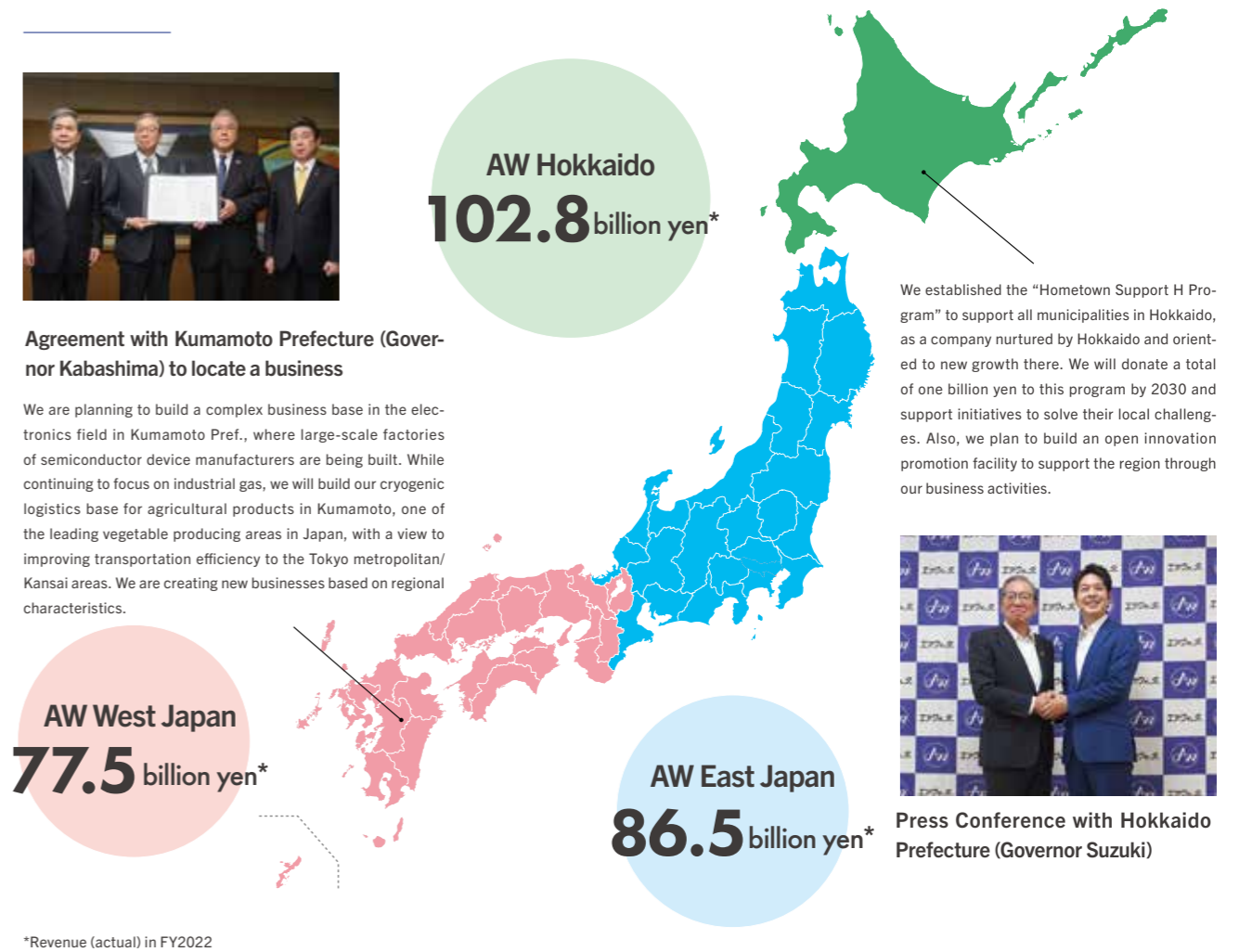
Consolidated the eight regional operating companies into three (Hokkaido, East Japan, and West Japan) in order to achieve a corporate scale that can grow on its own with each region.

Regional business companies

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



Social capital of the regional companies



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



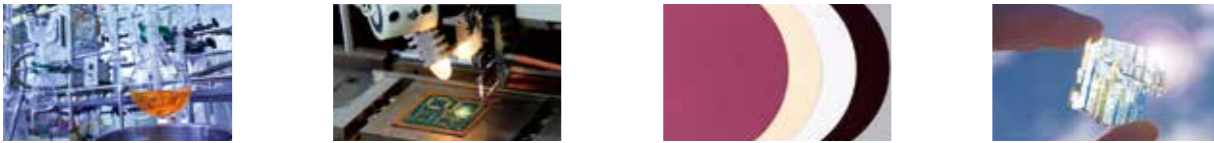
On-site gas supply

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

Green Innovation



Biomethane



ReCO₂ STATION



Energy-related equipment



LP gas mobile power supply vehicle

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)

Seawater



Salt



Environment



Engineering



High-power UPS



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

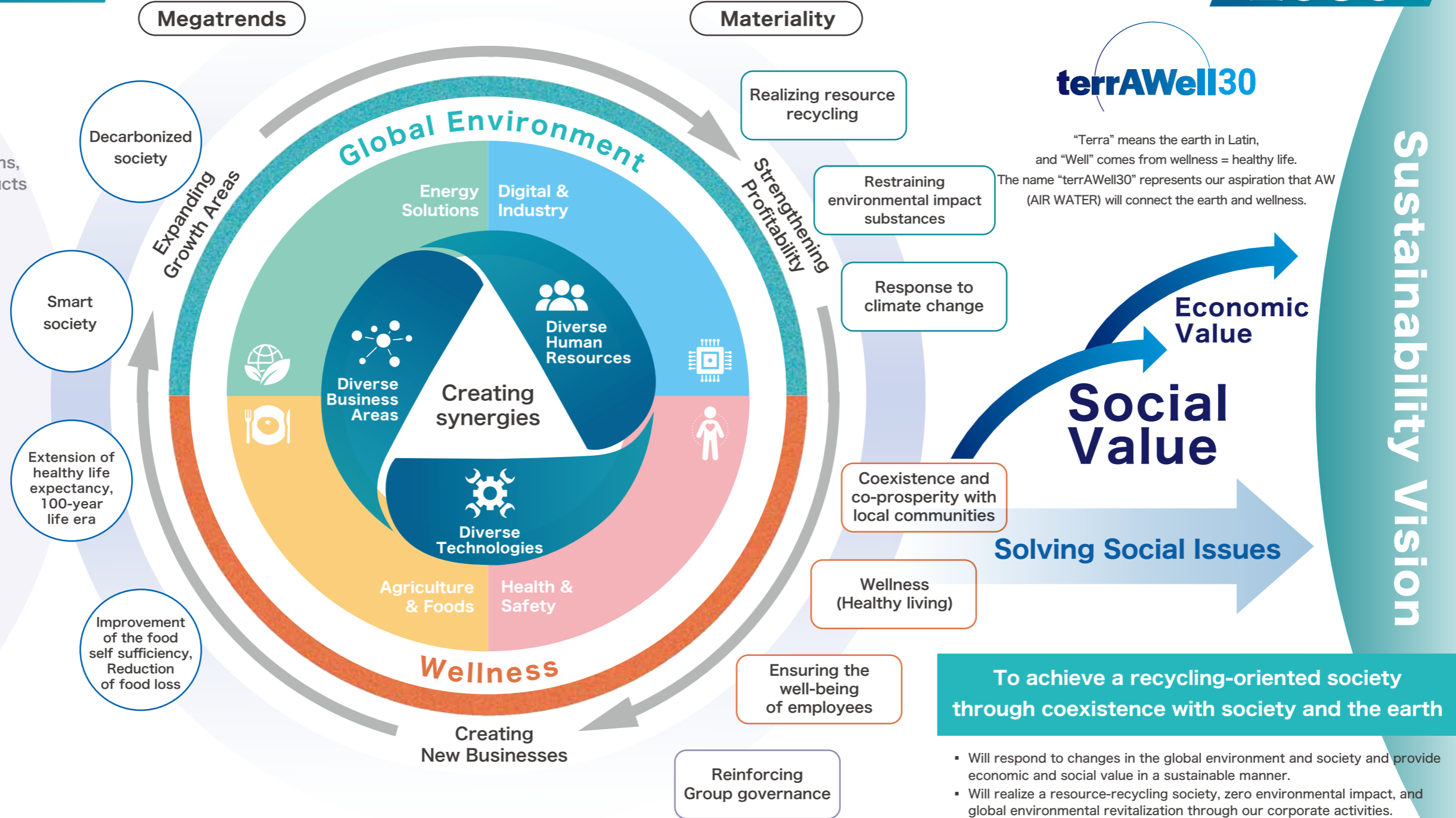
Our Purpose

Meeting society's needs with nature's blessings

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.

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



- 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)

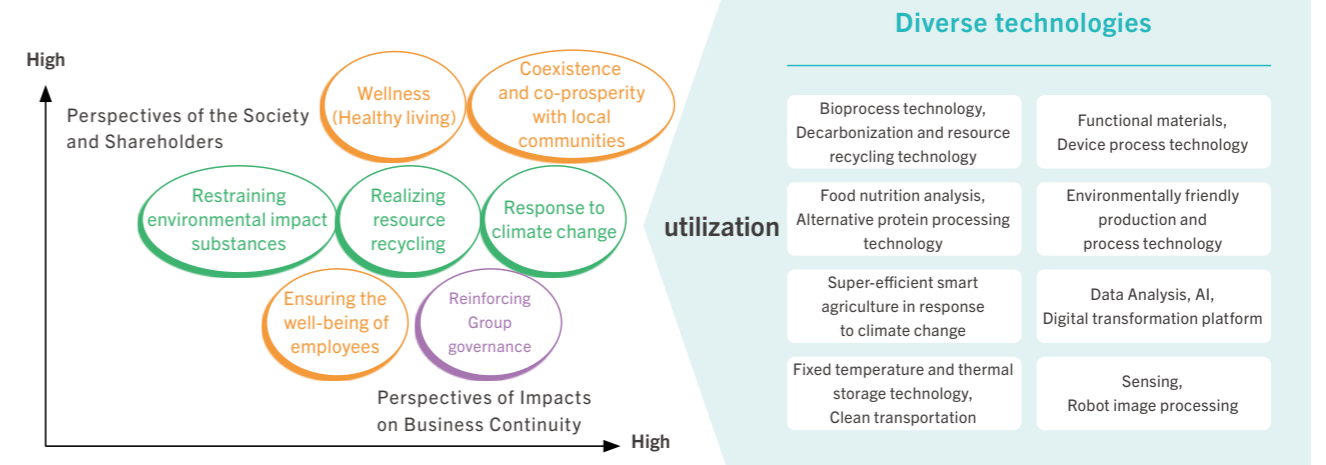
We have identified Materiality by considering their importance in building a sustainable society and business in terms of enhancing corporate value. The process includes consideration of the social and business environment, relevant risks and opportunities, and stakeholder relationships.



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



| Materiality | Opportunities | Risks | Relevant Business Domains | | | | | Related SDGs |
|--|--|--|---------------------------|------------------|-----------------|---------------------|--------|----------------------------|
| | | | Digital & Industry | Energy Solutions | Health & Safety | Agriculture & Foods | OTHERS | |
| 1 Response to climate change | <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 | ● | ● | ● | ● | ● | 7, 9, 11, 12, 13 |
| 2 Realizing resource recycling | <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. | ● | ● | | ● | | 6, 11, 12, 13 |
| 3 Restraining environmental impact | <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 | ● | | | ● | | 6, 11, 12, 13, 14, 15 |
| 4 Coexistence and co-prosperity with local communities | <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 | ● | ● | ● | ● | | 2, 3, 6, 8, 9, 11, 12, 13 |
| 5 Wellness (Healthy living) | <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 | | | ● | ● | | 2, 3, 8, 12 |
| 6 Ensuring the well-being of employees | <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 | ● | ● | ● | ● | | 3, 4, 5, 8, 10, 11, 16, 17 |
| 7 Reinforcing Group governance | <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 | ● | ● | ● | ● | | 8, 16, 17 |