

Promoting Sustainability

2030 2050

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



Human Capital Management

Toward the promotion of "management that leverages human resources"

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

Group Human Resource Strategy in Integrated Group Management

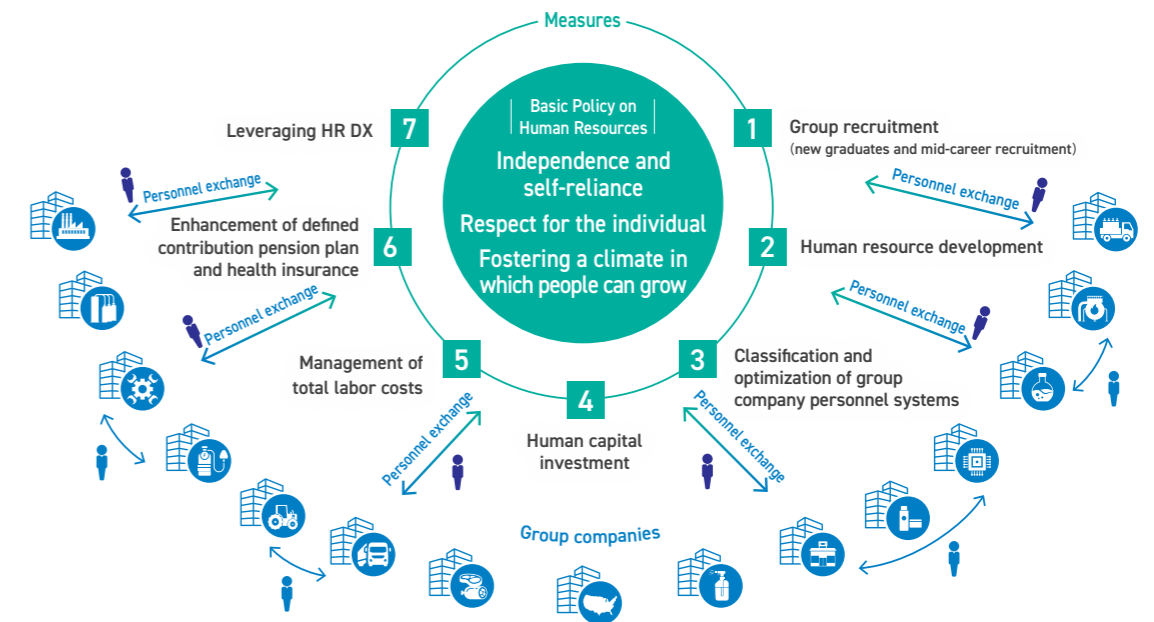
The Group promotes a human resource strategy based on Basic Policy on Human Resources of "Independence and Self-Reliance," "Respect for the individual," "Fostering a climate in which people can grow," providing employees with opportunities to think independently about their career and gain experiences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

(diversity, equity, and inclusion) activities.

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

Our Vision

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



Human Resource Strategy

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

Scheme to develop people

Air Water's human Resource development policy

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

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

Fostering a climate in which people can grow

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

Management personnel development

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

Development of global and AI/DX human resources

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

Promotion of work style reform

Proper working hour management

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

Support for flexible Work styles

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

Support for balancing work with nursing care

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

Promoting health management

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



Improving employee engagement

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

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

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

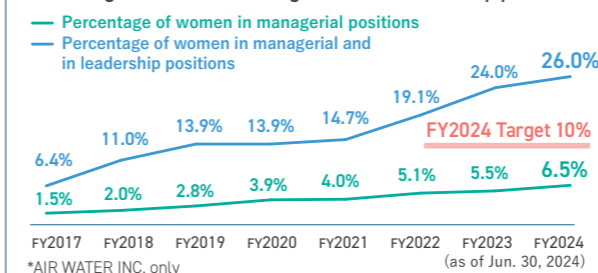
Promotion of DE&I

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

Promoting women's active engagement

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

Percentage of women in managerial and in leadership positions



Promotion of young employees

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

Promotion ratio of young managers (in their 30s)

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

*AIR WATER INC. only

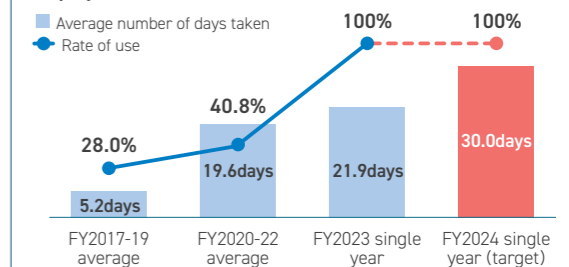
Promoting paternal childcare leave

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

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



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



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

Promoting employment of persons with disabilities

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

Occupational Health and Safety (Safety and Disaster Prevention)

Basic concept

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

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

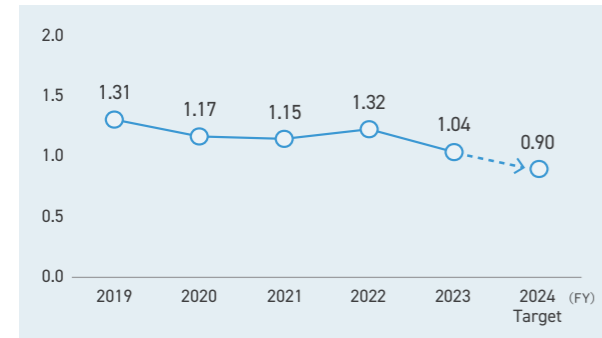
KPI: Lost time injury frequency rate

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

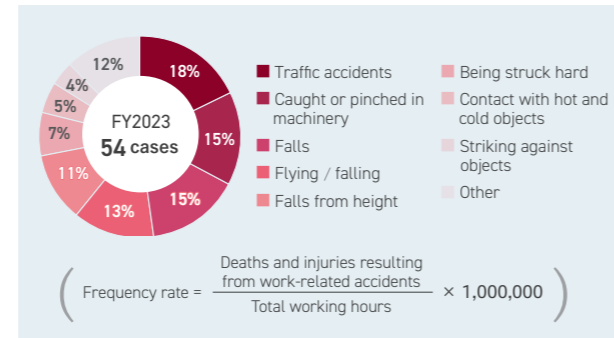
The Group is involved in a number of industries through its diversified business portfolios. According to the Ministry of Health, Labour and Welfare statistics for FY2023, the frequency rate for manufacturing industry (100 or more workers) is 1.29. Under the same condition, the Group's rate is 1.04.

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

Lost time injury frequency rate (while on duty)



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



Activities in FY2023

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

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

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

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



Human Rights

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

*Please refer to our website for our Basic Human Rights Policy. https://www.awi.co.jp/en/sustainability/social/human_rights.html

Human rights due diligence

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

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



Sustainable Procurement

Environment, Safety, and Human rights conscious procurement

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

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

Sustainable Procurement Policy

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

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



Quality and Assurance

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

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

Strengthen quality assurance system

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

Activities of the Quality Assurance Office

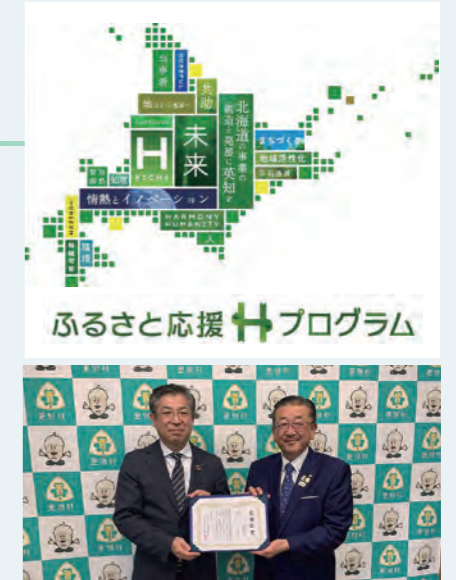
- Promoting the development of the Group's quality assurance system
- Addressing company-wide quality compliance risks
- Planning and holding of company-wide quality-related meetings
- Planning and implementation of quality-related training

Promoting Community Partnerships and Social Contribution Activities

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

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

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



Our first athlete employees; fully supporting for their global challenge

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



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

Diversity Roundtable

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

Photography location: Air Water Kento



Member of the Board,
Outside Director
Yuko Haga

Member of the Board,
Executive Officer
Kikue Inoue

Standing Audit &
Supervisory Board Member
Junko Shigefuji

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

Initiatives to realize diversity

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

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

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

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

Shigefuji: I joined Hoxan, our predecessor

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

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

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

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

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

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

Toward achieving a 10% of women in managerial positions

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

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

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

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

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

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

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



Member of the Board,
Outside Director
Yuko Haga

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

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

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

Toward global human resource development

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

Inoue: We hold seminars for employees,

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

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

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

Significance of diversity promotion initiatives

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

Haga: While many Japanese companies

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

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

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



Member of the Board,
Executive Officer
Kikue Inoue



Standing Audit &
Supervisory Board Member
Junko Shigefuji

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

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

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

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

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

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

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

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

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

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

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

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



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

Environmental Initiatives

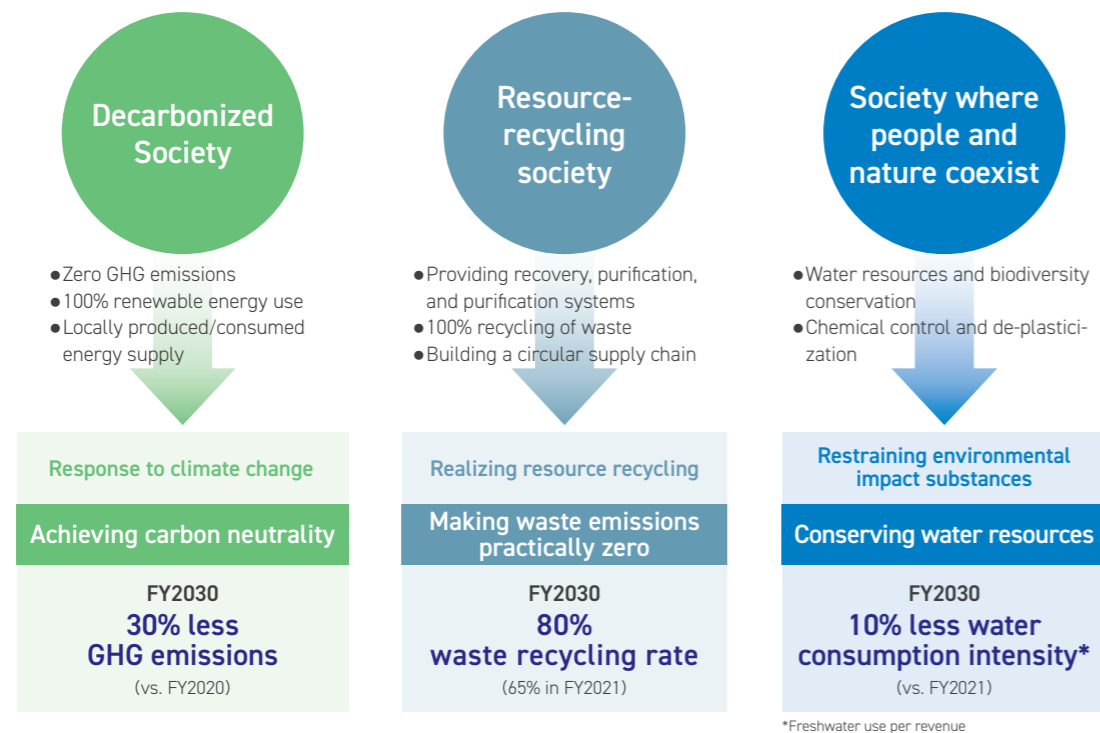
To make a “decarbonized” and “resource-recycling” society where “people and nature coexist”

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

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

Delivering positive environmental value to society

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



Response to climate change

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

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

Disclosure based on the TCFD framework

Governance

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

Risk management

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

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

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

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

Our strategy

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

Climate change scenario analysis(→P68)

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

GHG reduction roadmap

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

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

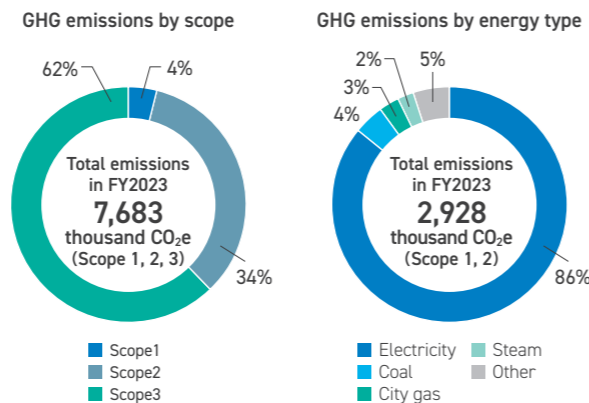
Common to all businesses						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Tighter regulations on GHG emissions (carbon tax)	Increased in energy costs of electricity and fuel used due to the introduction of a carbon levy (or carbon tax in other countries)	Medium-term	<ul style="list-style-type: none"> Transfer the cost to the product prices Develop high-efficiency plants Purchase environmental value 	Large
Digital & Industry						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Changes in the production process	Decreased in oxygen gas consumption due to change in production process (electric furnace, hydrogen reduction) for steel at existing customer	Medium-term	Consider development and introduction of high-efficiency plants adapted to changes in customer usage volumes	-
	Transition opportunities	Capture new markets and expand existing business	Increased demand for energy-saving products and next-generation power semiconductors due to increased data processing volume resulting from digitization	Medium-term	Expand stable supply system for industrial gases, specialty gases and specialty chemical products for the semiconductor field	Large
		Capture new markets and expand existing business	Captured opportunities to sell value-added gas using green power	Medium-term	Improve external appeal through third-party certification of mass balance method	Small
Energy Solutions						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Changes in consumer behavior	Decreased demand for fossil fuels such as LPG and kerosene	Medium-term	Convert sales from LPG, LNG, and kerosene to carbon neutral LPG, ammonia, and hydrogen	Medium
	Transition opportunities	Expand business into new markets	Expanded biomethane, e-methane and CCUS business	Medium-term	<ul style="list-style-type: none"> Secure a good domestic source of biomethane Introduce into pipelines in collaboration with city gas companies Form a solid business foundation by accumulating CO₂ capture, refining, and methanation technologies 	Large
		Expand business into new markets	<ul style="list-style-type: none"> Commercialization of FC commercial vehicles and increase in demand for hydrogen for mobility Growth of hydrogen business and hydrogen station business 	Long term	<ul style="list-style-type: none"> Establish a clean hydrogen procurement and supply system Install hydrogen station 	Large
Agriculture & Foods						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition opportunities	Development of new products and services through R&D and innovation	<ul style="list-style-type: none"> Increased demand for plant-based foods Increased demand for products with high shelf life 	Medium-term	<ul style="list-style-type: none"> Develop products of plant-based foods Develop products with improved shelf life 	Medium
Logistics						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Replacement of existing products with low-carbon technologies	Increased in costs due to purchase of EV and FCV trucks and installation of filling facilities	Medium-term	<ul style="list-style-type: none"> Utilization of government grants FCV truck demonstration run in collaboration with a major automaker 	Small
Seawater (salt manufacturing business)						
Scenario	Classification	Event	Business Impact	Time horizon	Response	Financial impact
1.5°C	Transition risks	Use of low-carbon energy sources	Continued operation of in-house coal-fired power generation facilities will be difficult	Medium-term	Switch from coal to biomass and other low-carbon energy sources	Small
	Transition opportunities	Expand business into new markets	Growing demand for low-carbon products and services	Medium-term	Capture sales opportunities through differentiation from other companies' products as "salt made from low-carbon energy"	Small

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

Indicators and targets

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

In FY2023, despite implementing measures such as energy conservation in manufacturing processes and introducing renewable energy, our GHG emissions from domestic energy-based CO₂ sources (which are subject to our reduction targets) increased by 0.4% compared to the base year due to business growth.



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

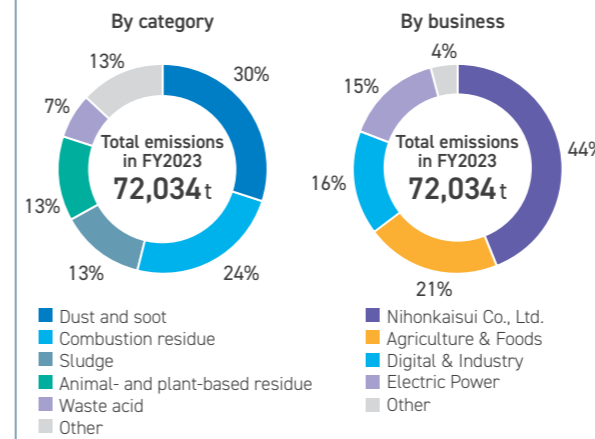
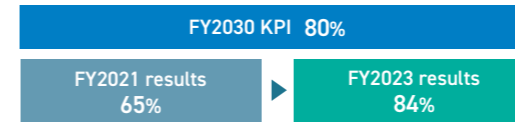
Resource-recycling society

Industrial waste

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

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

Waste recycling rate

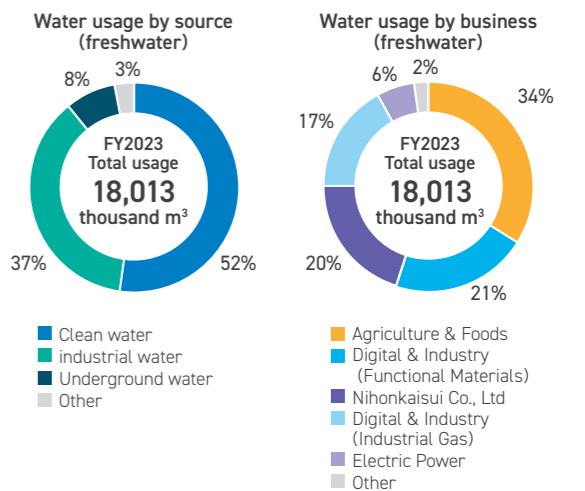
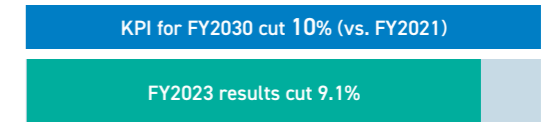


Society where people and nature coexist

Water resources

Not only do we manage water use and treat wastewater and sewage in accordance with environmental standards, including reducing the use of water resources in our business activities and reusing wastewater, but we also aim to produce clean water by purifying toxic substances in the water. We aim to reduce water consumption by 10% in FY 2030 compared to FY2021 (32m³/million yen) by capturing and reusing steam from our manufacturing processes, introducing recycling systems for wastewater and wash water, and reducing water consumption by adjusting water pressure in pipes and other facilities. In FY2023, we achieved a 9.1% reduction, mainly due to appropriate flow control in the beverage business. To achieve the FY2030 KPI, we will reduce water consumption under the following policies: (1) reduce water consumption, (2) recycle water, and (3) review production processes.

Water consumption intensity



Topics

Forest conservation activities to realize a recycling-oriented society

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



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

