



AIR WATER
Integrated Report
2022

Meeting society's needs with nature's blessings.





Our Purpose

Meeting society's needs with nature's blessings.

Since the original company was founded in 1929, the Air Water Group has evolved into a stable supplier of essentials that support both people's lives and industry by drawing upon the resources of the planet, as represented by our name.

With the same unlimited potential as air and water, our aim as a corporate entity is to become even more indispensable going forward as we work to enrich the lives of people around the world.

We will continue to meet society's needs into the future, aligning with people and communities to provide products, services, and solutions that are integral to living and the industries that support society.





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

The origins of the Air Water Group's business can be found in its name, which consists of two words: "air" and "water."

We make use of the resources of our precious earth to create businesses and contribute to society and everyday life.

Amid a business environment that continues to change at a dizzying pace, we will continue to leverage the Group's collective capacities to tackle problems faced by our customers and society, and will rise to the challenge of creating new value.

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Editorial Policy

We have established “terrAWell30,” our vision for the year 2030. As such, we intend to maximize our corporate value that combines economic and social value by achieving the “creation of new corporate value through solving social issues.” We will achieve this through synergies generated by a creative combination of “diverse businesses, human resources, and technologies” and in line with our two growth axes: “Global Environment” and “Wellness.” We have therefore edited the AIR WATER Integrated Report 2022 with a focus on this vision. Specifically, we have sought to provide easy-to-understand explanations so that readers can gain a deeper understanding of “terrAWell30 1st stage,” our Medium-Term Management Plan with a three-year implementation period from FY2022 to FY2024. In putting together this report, we have referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)*.

*The Value Reporting Foundation (VRF), which was established in June 2021 through a merger between the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB), was consolidated in August 2022 into the IFRS Foundation, the organization tasked with developing international disclosure standards for ESG information.

Forward-looking statements (business risks, etc.)

Earnings forecasts and future outlooks provided in this report reflect Air Water’s judgments based on currently available information and may include potential risks and uncertainties. Actual business performance could be significantly different from the projections made herein due to changes in various factors.

SUSTAINABLE DEVELOPMENT GOALS



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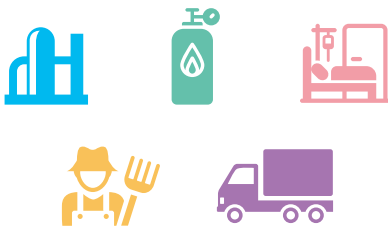
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Being a stable supplier of “essentials” for society and expanding our business domains to support healthy lives of people and manufacturing

Establishment of three predecessors

Air Water Inc. was established in 2000 through the consolidation of three companies—Hoxan Corporation, Daido Sanso Co., Ltd., and Kyodo Oxygen Co., Ltd.—each with different histories and cultures, but possessing a fresh purpose and sense of mission to contribute to innovation in industry and society through “air and water.”

1929 Hokkaido Sanso Co., Ltd. is established

(Renamed Hoxan Corporation in 1966)

Devoted to saving lives and developing local industries



In the years before the war, a certain individual passed away due to the inability to receive sufficient oxygen inhalation. The deceased's elder brother, the head of the Chamber of Commerce and Industry of Sapporo City then, focused all of his energy on founding Hokkaido Sanso. Later, the company started developing LPG and frozen food products in an effort to support the livelihoods and industries of Hokkaido.

1933 Daido Sanso Co., Ltd. is established

Founded with a desire for collaboration and a united front



At the time when the munitions industry was given priority access to oxygen and acetylene for use in cutting and welding iron, Daido Sanso was founded after some small and medium-size businesses that required the use of oxygen decided to take matters into their own hands and band together to produce it themselves.

1962 Kyodo Oxygen Co., Ltd. is established

Supporting Japan's rapid economic growth with oxygen



Kyodo Oxygen was established during Japan's period of high economic growth when the country's heavy manufacturing industries were achieving remarkable growth. Sumitomo Metal Industries (now Nippon Steel) established Kyodo Oxygen at its Wakayama Ironworks to meet rapidly increasing demand for iron and steel, and the supply of oxygen for converter steelmaking thus began.



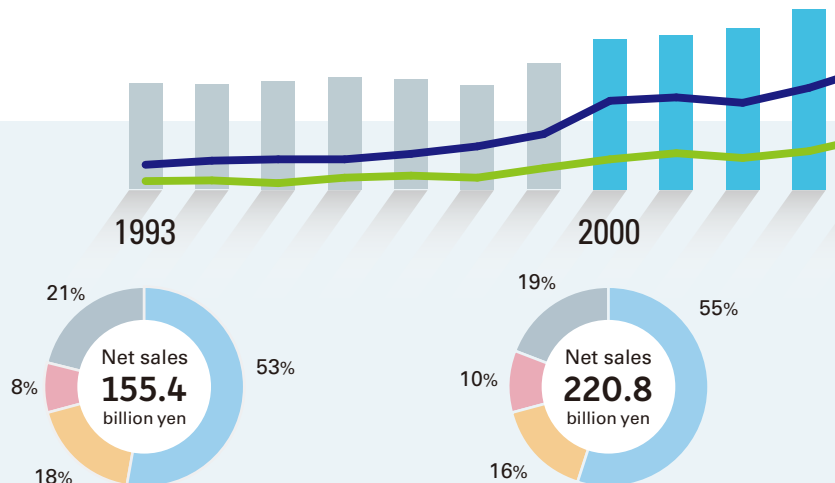
Transition to tenacious industrial gas manufacturer following two mergers

1993 Daido Hoxan Inc. is established through a merger between Hoxan Corporation and Daido Sanso

- The business area for industrial and medical gas was expanded to all of Japan
- Sales companies in each region were established and a local community-based business structure was developed
- Hoxan had diversified its operations in Hokkaido, where the buildup of industries was limited compared to Japan's main island (Honshu); this mixed business management of Hoxan Corporation was the starting point of diversification, beginning with industrial gas

2000 Air Water Inc. is established through a merger with Kyodo Oxygen

- Along with the addition of a large-scale on-site gas supply business for blast furnaces, the company realized the vertical integration of upstream and downstream processes in its industrial gas business, thereby putting in place a business foundation to support a whole host of industries



Change in business portfolio

- Industrial Gas
- Chemical
- Medical
- Energy
- Agriculture and Food Products
- Logistics
- Seawater
- Other

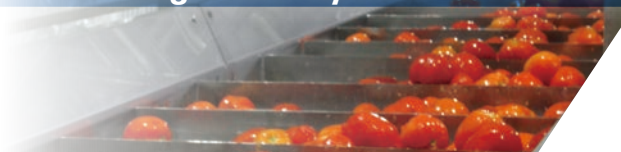
2000– After the Birth of Air Water



Establishing a dominant position as an industrial gas manufacturer, and expanding business domains through M&As

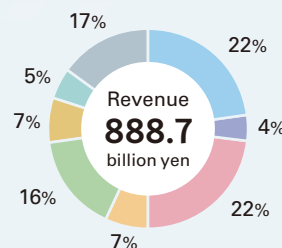
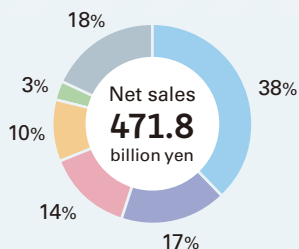
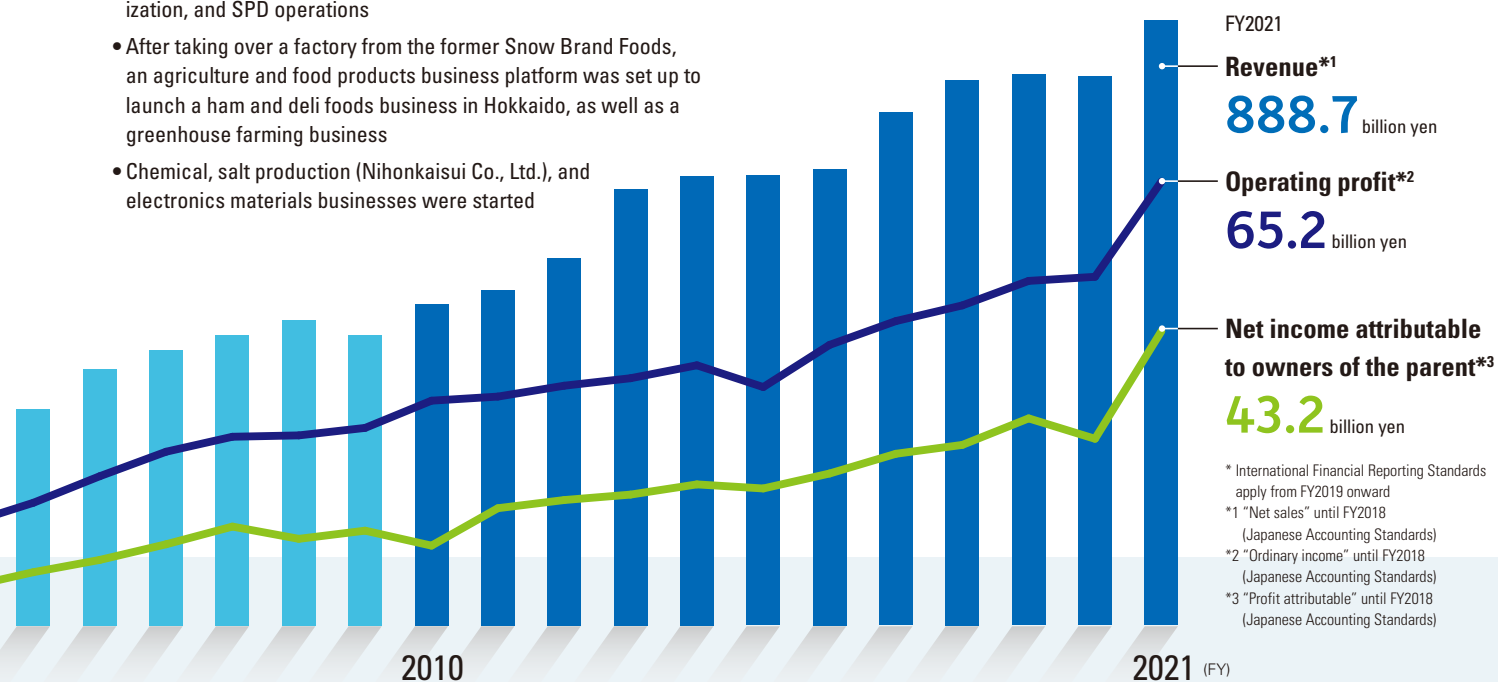
- Carbon dioxide gas and hydrogen gas business started
- Large-scale cryogenic air separation plant fabrication technology was acquired through a partnership with Kobe Steel
- Highly efficient and compact liquefied oxygen/nitrogen co-production plants (VSUs) were deployed nationwide, environmental impacts were minimized through short-distance transportation, and a stable supply system was established based on a decentralized manufacturing network
- Comprehensive business services for hospitals were established centering on the construction of hospital facilities, contract sterilization, and SPD operations
- After taking over a factory from the former Snow Brand Foods, an agriculture and food products business platform was set up to launch a ham and deli foods business in Hokkaido, as well as a greenhouse farming business
- Chemical, salt production (Nihonkaisui Co., Ltd.), and electronics materials businesses were started

2010– Reinforcing the All-Weather Management System



Further expanding business domains with an eye on one-trillion-yen sales, and establishing an all-weather business portfolio

- A corporate vision to achieve net sales of one trillion yen was announced and an M&A strategy was ramped up
- The lifestyle medical segment was expanded to provide home health-care, dental services, and sanitary materials
Alongside business services for hospitals, Air Water provides value to support lives and livelihoods even during the COVID-19 pandemic
- Value chain supporting the food products industry was established by expanding into such fields as agricultural and processed foods, vegetable retail, beverages, and confectionery
- The functional chemicals business was expanded, centering on electronics materials, with the aim of restructuring the chemical business
- All-weather business portfolio was established with an optimal balance of industrial and lifestyle-related businesses
- Businesses centering on industrial gas and engineering were launched in India and North America with a view to future growth



* International Financial Reporting Standards apply from FY2019 onward
 *1 "Net sales" until FY2018 (Japanese Accounting Standards)
 *2 "Ordinary income" until FY2018 (Japanese Accounting Standards)
 *3 "Profit attributable" until FY2018 (Japanese Accounting Standards)

“Diverse businesses, human resources, and technologies” coupled with a “community-based business platform,” the strengths of the Air Water Group honed over the course of our history

Ever since the founding of the Air Water Group, we have never stopped innovating and evolving to keep up with the ever-changing business environment. At the same time, we have continued to stably provide, in a sustainable manner, invaluable products like industrial and medical gas that have become essential to people’s lives and industry. We have also established a community-based business platform and we have leveraged M&As and other means to expand into diverse business domains and secure the necessary human resources and technologies. The management resources we have honed over the course of this history are the strengths of the Air Water Group and the source of our value creation.

Technological Resources

Engineering human resources

290



No. of industry-government-academia projects

138

Industrial gas production, purification, transportation, storage, and consumption technologies that contribute to decarbonization



No. of researchers and developers

540

Smart healthcare, such as dental pulp regeneration and high-definition image processing



Organizations and Human Resources

No. of Group companies

273

(of which 167 are consolidated)

No. of Group employees

19,299

(consolidated, of which 4,386 are overseas)



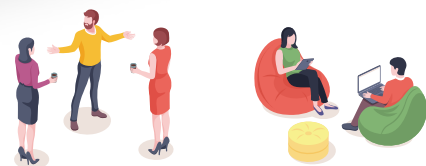
No. of M&As

236

(cumulative total)

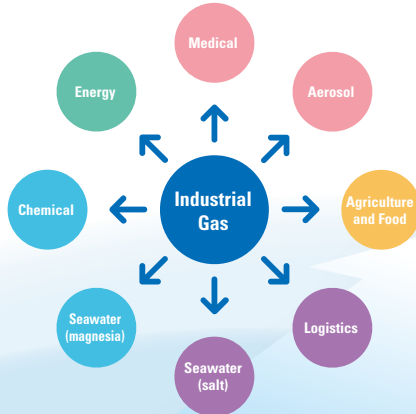
(from 2000 onward)

Diverse human resources and corporate cultures combined through M&A



Market-leading Products and Services in Diverse Business Domains

Business domains expanded based on industrial gas



Moved to new business segments in April 2022

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

Many of our businesses maintain high market shares in the stable domestic market

Digital & Industry

Nitrogen	Oxygen
23%	30%
Argon	Magnesia for oriented electromagnetic steel sheets**
34%	33%

*Source: Gas Review's 2021 Gas Georama in Japan

**1 In-house research on global share

Health & Safety

Medical oxygen	38%
Installation of medical gas pipes	45%

*In-house research

Energy Solutions

Dry ice	47%
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*Source: Gas Review's 2021 Gas Diorama

Agriculture & Foods

Contract production of vegetable drinks	41%
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*In-house research

Other

Industrial salt	42%
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*In-house research

Founder's Spirit
Corporate mind
that seeks
changes

Community-based Business Platform

No. of domestic business sites

676

Infrastructure capable of stable supply of products

97 distribution centers

Stable supply system for industrial and medical gases

22 VSU plants

Customer base and marketing capabilities with close ties to the local community



Alliances with local governments, universities, and local industries (social capital in the community)

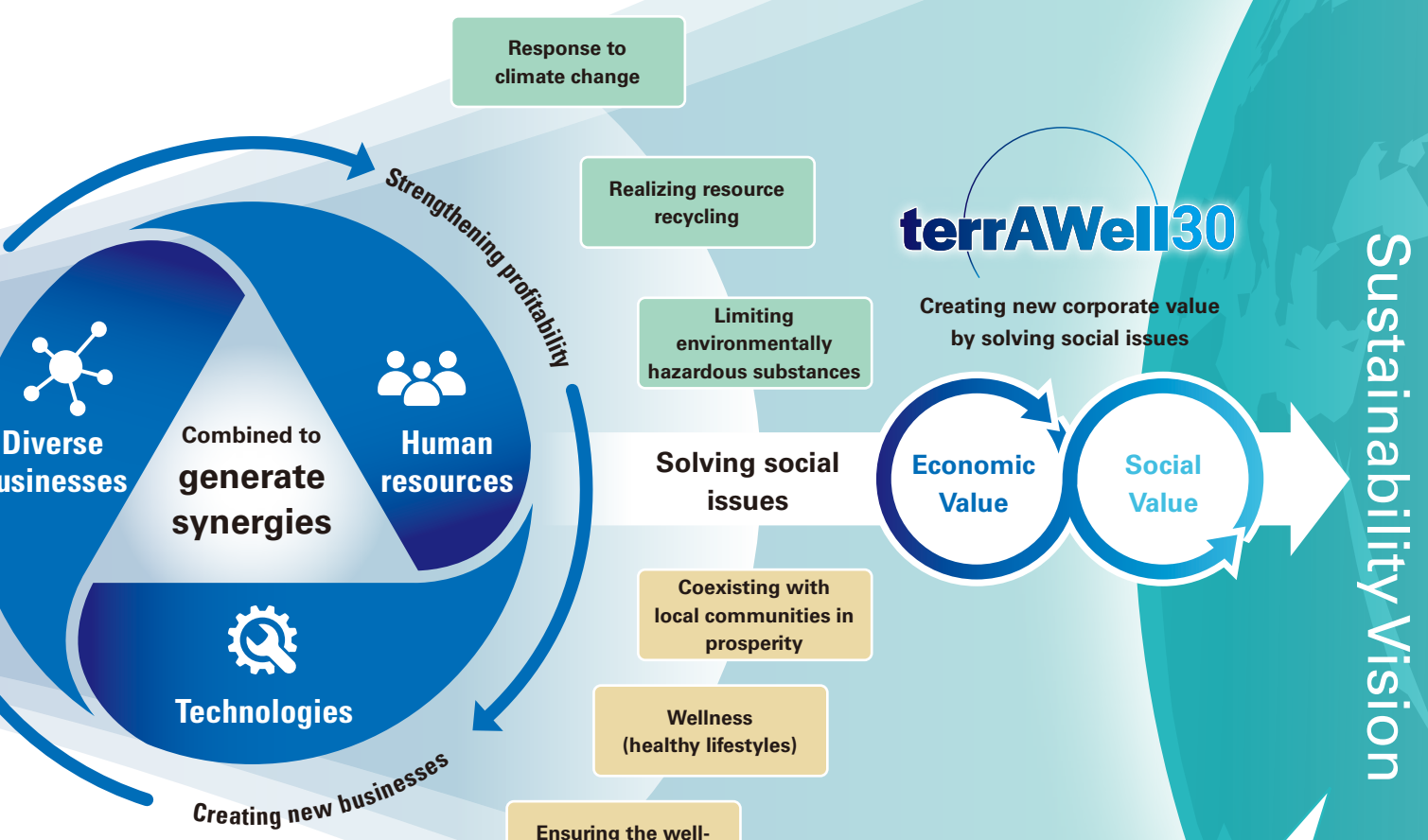


In line with the Air Water Group’s purpose, “Meeting society’s needs with nature’s blessings,” we integrated the growth vectors of our diverse business domains into the two axes of “Global Environment” and “Wellness” in light of global social issues. By generating synergies through the creative combination of our biggest strengths, namely, our “diverse businesses, human resources, and technologies,” we will aim to create new corporate value by solving social issues and realize our Sustainability Vision of “achieving a recycling-oriented society through coexistence with society and the earth.”

Management resources
▶p7

Establish growth axes and generate synergies by combining management resources





Achieve a recycling-oriented society through coexistence with society and the earth

- Continuously provide economic and social value by flexibly responding to environmental and social changes
- Achieve a resource recycling society, leave zero environmental impact, and revive the global environment through our corporate activities
- Continue to be chosen by our local communities and customers, and ensure the well-being* of our employees

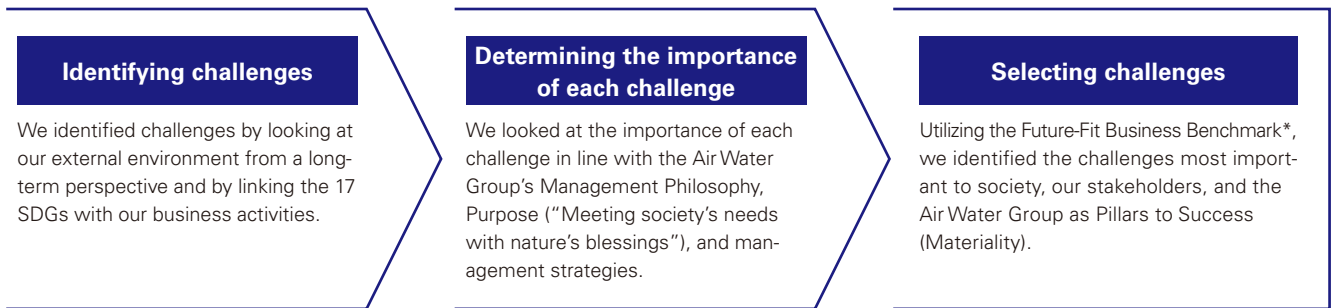
*Well-being is the state of being physically, mentally, and socially comfortable. In addition to being happy, it represents a condition in which employees live with a sense of purpose through a range of different workstyles and platforms to succeed.

Reinforcing Group governance

As the social and economic environment continues to change rapidly, to ensure that we can achieve sustainable growth with a balance of both economic and social value, we are working to improve our medium- to long-term corporate value based on our Sustainability Vision for 2050. We have also defined the seven key challenges essential to achieving this vision as so-called Pillars to Success (Materiality), and we are analyzing the risks they might bring and the opportunities they might provide in our diverse business activities.

Selecting the Pillars to Success (Materiality)

In selecting the items of materiality, following thorough investigation of the environments surrounding society and our business, examination of the relevant risks and opportunities, and consideration of our stakeholders, we looked at their importance in building a sustainable society and raising the corporate value of our Group.

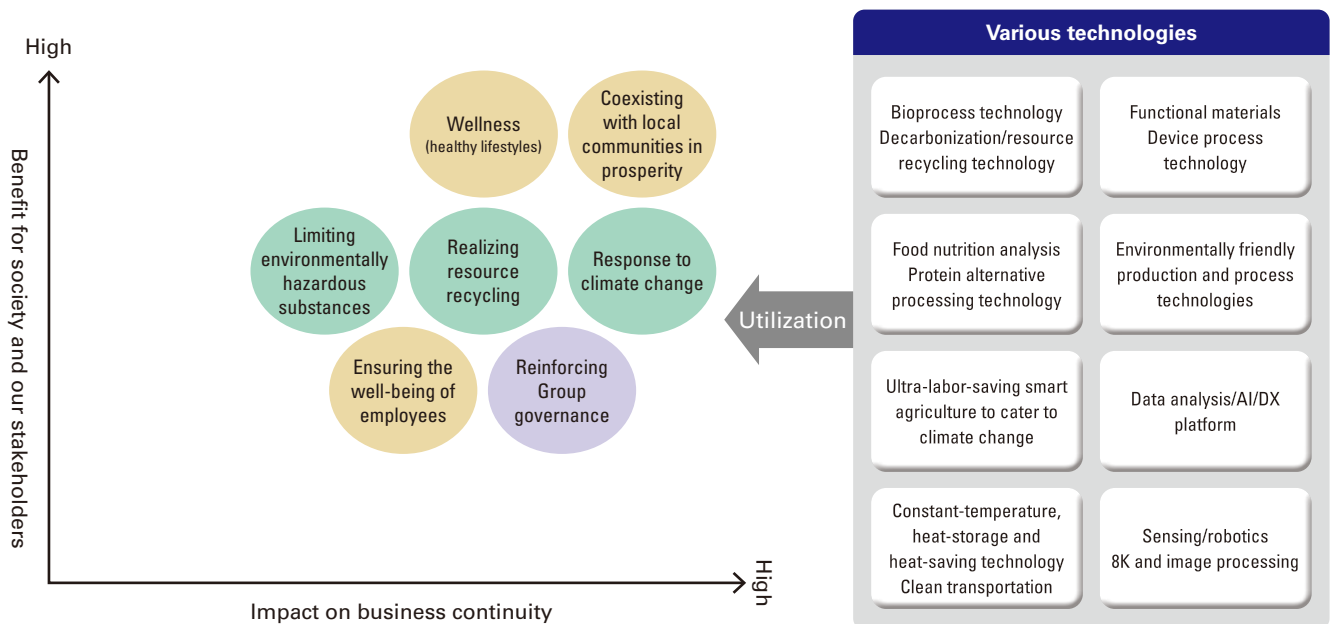


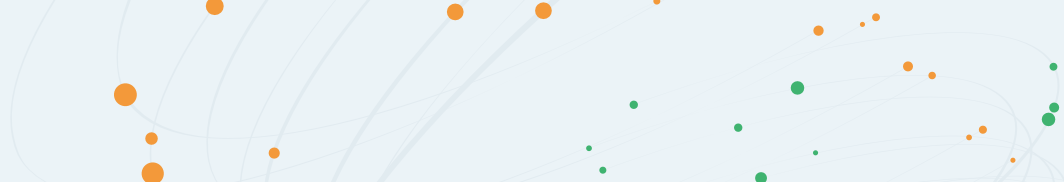
*A KPI tool used to promote sustainable management developed and offered by the UK's Future-Fit Foundation.

Designated Pillars to Success (Materiality)

Ultimately, we selected challenges with the greatest impact on business continuity (horizontal axis) and the greatest benefit for society and our stakeholders (vertical axis). In utilizing our broad range of technologies to generate innovation, we will aim to make our Sustainability Vision a reality.

Materiality Map





Pillars to Success (Materiality)	Risks and Opportunities	Highly Relevant Business Domains				
		Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other
Response to climate change	<p>Risks</p> <ul style="list-style-type: none"> • Use of fossil fuels and tighter CO₂ emission regulations • Shrinking of current energy markets and decline in demand due to energy conversions • Negative impacts on production activities and logistics functions caused by increasingly severe natural disasters (high tides, floods, etc.) <p>Opportunities</p> <ul style="list-style-type: none"> • Creation of a local-production local-consumption energy supply system using biomass • Conversion from petroleum-based energy to low-carbon energy, and provision of related devices • Provision of decarbonization solutions such as next-generation fuels (hydrogen and liquefied biomethane) 	●	●	●	●	●
Realizing resource recycling	<p>Risks</p> <ul style="list-style-type: none"> • Tighter waste treatment restrictions and higher treatment costs • Spread of environmental issues and risks due to the depletion of resources and population increase <p>Opportunities</p> <ul style="list-style-type: none"> • Provision of collection, refining, and purifying systems for industrial emissions (incl. collection and solidification of CO₂) • Reduction of waste through promotion of recycling and reuse • Creation of a waste-recycling supply chain (treatment systems, etc., for food waste and livestock manure) 	●	●		●	●
Limiting environmentally hazardous substances	<p>Risks</p> <ul style="list-style-type: none"> • Negative impact on material procurement and production activities due to droughts and worsening water quality • Increase in costs in line with tightening of chemical substance restrictions • Tightening of plastic restrictions <p>Opportunities</p> <ul style="list-style-type: none"> • Provision of waste gas refining equipment, water treatment equipment, and purification and treatment products for waste gas, wastewater, and soil • Use of plastic alternatives in drink containers and packaging materials 	●			●	●
Coexisting with local communities in prosperity	<p>Risks</p> <ul style="list-style-type: none"> • Deterioration of regional economies due to declining populations (decreasing birthrate and aging population) and urban concentration • Increase in severity of damage from natural disasters • Increase in operation and maintenance costs due to aging social infrastructure <p>Opportunities</p> <ul style="list-style-type: none"> • Provision of solutions to minimize risks from natural disasters • Provision of products and services that contribute to improved sewage systems and other social infrastructure • Creation of businesses that boost regional employment and revitalize regional economies • Growing needs for smart factories and smart agriculture 	●	●	●	●	●
Wellness (healthy lifestyles)	<p>Risks</p> <ul style="list-style-type: none"> • Increase in medical fees in line with extreme population aging and healthy longevity • Changes in disease patterns, including chronic and complex lifestyle diseases <p>Opportunities</p> <ul style="list-style-type: none"> • Provision of products and services that contribute to the advancement and remote control of medicine • Provision of products and services that enable self-medication • Provision of delicious food ingredients that are safe, reliable, and healthy 			●	●	
Ensuring the well-being of employees	<p>Risks</p> <ul style="list-style-type: none"> • Drop in labor productivity and loss of excellent human resources without appropriate measures • Drop in employee health <p>Opportunities</p> <ul style="list-style-type: none"> • Diversification of employee values in line with globalization of business • Promotion of ICT-based workstyle reforms and work-life balance • Promotion of employee career development and diversity management • Creation of a workplace environment where employees can work with peace of mind and good physical and mental health 	●	●	●	●	●
Reinforcing Group governance	<p>Risks</p> <ul style="list-style-type: none"> • Business continuity risks and unforeseen losses in line with insufficient internal controls • Loss of social credibility owing to compliance violations • Insufficient risk management following M&As and business expansion <p>Opportunities (measures)</p> <ul style="list-style-type: none"> • Strengthening of internal control functions through integration and reorganization of subsidiaries • Thorough compliance and enhanced risk management • Improvement of stakeholder relations owing to better transparency 	●	●	●	●	●




Kikuo Toyoda
Chairman and
Representative Director
Chief Executive Officer

We will aim for even greater heights by combining our diverse businesses, human resources, and technologies in line with our two growth axes centered on the global environment and wellness

Created an all-weather (holistically diversified) business portfolio as the highlight of nearly 20 years of effort

FY2021 marks the culmination of nearly 20 years of expanding Air Water into a diverse range of business fields since its founding in 2000. As a result, we created an all-weather business portfolio that is less susceptible to economic cycles and enables sustainable growth, and were able to achieve record results.

In the first 10 years following our establishment, we solidified our position as an industrial gas manufacturer by vertically integrating the upstream and downstream areas of our industrial gas business through mergers, creating an innovative gas supply model leveraging our highly efficient and compact liquefied oxygen/nitrogen co-production plants (VSUs), and



expanding our carbon dioxide gas and hydrogen gas businesses. In addition, we established our foundations in new business fields such as chemicals and seawater.

From FY2010, we set out to achieve a major target of becoming a company with one trillion yen in sales, and accelerated our business domain expansion through M&A. In particular, we established an all-weather business portfolio that strikes a balance between industrial and lifestyle-related businesses by expanding the domain of our lifestyle-related businesses to cover the medical, agriculture, and food industries. As a result, we achieved remarkable growth, with FY2021 revenue of 888.7 billion yen (up approximately 2.1 times versus FY2009) and operating profit of 65.2 billion yen (up approximately 2.2 times). Specifically, during the three-year period from FY2019 to FY2021, we worked to expand our business in the high-growth electronics field along with our global business, while addressing changes in the environment caused by COVID-19. At the same time, our progress in structural reforms, including the integration and reorganization of Group companies, enabled us to achieve operating profit growth at a 15% compounded annual growth rate. Although we had to postpone our target of achieving one trillion yen in sales to FY2023 due in part to the uncertain market environment, our operating profit came in substantially higher than our target of 60 billion yen, with both sales and profits reaching record highs.

No growth, no company

Aiming for sales of 1.6 trillion yen under the terrAWell30 plan

I believe that growth is the most important element in managing the Air Water Group. Without growth, there is no company. My role is to continue growing the company to increase the economic and social value we provide to our stakeholders through our business activities, and to spread that value to as many people as possible. For this to happen, we must always look ahead and constantly evolve our all-weather business portfolio. This also means turning social issue solutions into business opportunities. Going forward, as sustainable societies continue to develop around the world, pursuing social value means simultaneously enhancing economic value.

Our purpose is to “meet society’s needs with nature’s blessings.” I believe that the inherent value of the Air Water Group is to align with people and communities to support healthy lifestyles and quality manufacturing by leveraging the earth’s resources such as air and water to provide a stable supply of essential and indispensable goods for people’s daily lives.

Based on this purpose, we have set the global environment and wellness as our future growth axes in our FY2030 long-term vision terrAWell30, taking into account global social challenges and the diverse business domains of our group. “Terra” means “earth” in Latin and “well” comes from “wellness,” and “terrAWell” represents our desire that Air Water (AW) connects the earth and wellness. In this new stage, we aim to maximize both economic and social value through creating new corporate value by solving social issues, and by achieving synergies generated by creatively combining the Group’s diverse business portfolio, human resources, and technologies in line with the two growth axes.

In terms of economic value, we are targeting revenue of 1.6 trillion yen (20% from overseas sales) with an eye toward business expansion, and operating profit of 160 billion yen (operating profit margin of 10%) in terms of improving profitability. In addition, we are also focusing on capital efficiency to ensure that our returns consistently exceed the cost of

capital, aiming for a ROE of at least 10% and a ROIC of at least 7%. We will also set KPIs for social value and deliver solid results.

True related diversification is still in progress

The distinctive feature of the Group's management is that we promote related diversification, as opposed to a collection of unrelated businesses. Since the merger of Hoxan Corporation and Daido Sanso Co., Ltd. in 1993, we have always naturally gravitated toward related diversification centered on industrial gas, and we have developed each of our businesses by actively pursuing M&A opportunities. In particular, we believe that related diversification with a focus on the core technologies, areas, and business models of industrial gas is more likely to generate synergies among our businesses and lead to growth. Furthermore, having commonality across businesses is an important factor for management to be able to pay attention to each business and to optimize the entire business.


However, as our company scaled and our divisional company system became increasingly pronounced, our business operations became more vertically compartmentalized and our human resources more fixed, and we started to worry that we did not achieve true related diversification. As the social and economic environment was undergoing drastic changes, we wondered if we could continue doing things the way we had in the past. This is when we realized that it was not enough to just keep growing through M&A deals, but that we needed to shift to a group management system that could more easily create synergies.

From partial optimization to total optimization

Accordingly, we shifted from an in-house company system to a business unit system in April 2022 to transform our organization and maximize our strengths through related diversification. In line with our global environment and wellness growth axes, we fundamentally restructured our organization, replacing our six companies and two divisions under the in-house company system into the four business groups of Digital & Industry, Energy Solutions, Health & Safety, and Agriculture & Foods, with 13 business units under the

Transitioned to a business unit system to transform our organization and maximize our strengths through related diversification





business groups. In addition, the four business groups have a flatter organizational structure, replacing group heads with managers in charge to make it easier to build business models that cross the boundaries between business units. On the other hand, each of the 13 business units has a unit head responsible for the performance of the business unit. The unit heads serve concurrently as presidents of the core operating companies under their control to ensure there is no disconnect between the unit and the frontline. Furthermore, management human resources from Group companies assume key positions in our main organization to form the foundation for a group management system that integrates Air Water and Group companies.

Of course, the current count of 13 business units is by no means set in stone. An increase in the number of business units indicates the creation of new businesses and progress in the reorganization of our Group companies, and we expect to see this number expand along our growth axes going forward.

In addition, we will position our three regional business companies as an organization equivalent to a business group, which will be the core driver of our business promotion in Japan. This organization will strengthen our earning power by further focusing on our existing businesses, and will help us grow our business alongside the local communities we serve. Furthermore, we are also working on transforming our administrative, technical/engineering, and logistics functions into a group-wide organizational system.

Through this unprecedented major organizational reform, we will maximize group synergy creation by leveraging our diverse business portfolio, human resources, and technologies, as well as our community-focused business foundation.

Executing our business strategy through ambidextrous management

So how will we execute ambidextrous management, which balances exploitation aimed at boosting the competitiveness of our existing businesses and exploration to uncover and develop new business opportunities, under our new organizational system? In terms of exploitation, we will focus on reviewing assets, integrating and reorganizing group companies, and applying digital transformation (DX) to strengthen our earnings power. With regard to exploration, we will leverage our community-focused business foundation and diverse business domains to turn ideas into solutions. In doing so, we will concentrate on creating new businesses that solve social issues in local communities with a focus on technological development.

Our basic business strategy is to strengthen our earnings structure and create new businesses in Japan, and to grow through business expansion in overseas markets. In particular, we expect the electronics-related business and the overseas industrial gas business to drive growth. In the electronics-related business, we will focus on the semiconductor manufacturing market, which continues to expand on the back of the rapid digitization of society, and continue to transform our business structure. In our global business, we will focus on the industrial gas supply business in India and North America, and will accelerate business expansion by fully leveraging our long-standing engineering capabilities in gas supply and our strategic alliance with Mitsui & Co.

Sustain a virtuous growth and investment cycle

Without investment, there is no growth. While investment is essential for growth, we must enhance our earning power and generate capital resources in order to continue investing. Under the rapidly changing business environment, our Group has achieved great results with a rapid and effective M&A strategy. Accordingly, some may think that growth investment means M&A deals for the AirWater Group. However, more importantly, we actively make capital investments aimed at strengthening the business following an M&A deal, and this is what sustains the virtuous growth and investment cycle.

In addition, we will take a more holistic view of the Group as a whole and thoroughly implement initiatives to improve management efficiency. In particular, we will focus on business reforms driven by digital transformation (DX), logistics reforms, group-wide procurement activities, and strengthening and streamlining the management strategy functions of our administrative divisions. As part of our digital transformation, we will revamp our business management infrastructure system and work to enhance our data management system. Logistics will be centralized across the entire Group, consolidating external warehouses into our own warehouses, bringing outsourced logistics in-house, and reviewing appropriate inventory levels. We will also minimize procurement costs for raw materials and supplies through joint group procurement.

Promoting the success of highly diverse human resources and selecting and developing managerial talent

Needless to say, it is the growth of our human resources and their commitment to taking on challenges that creates businesses and drives the development of the Group. I believe that business strategy and human resources strategy combine to drive corporate growth. Having expanded our business domain through M&A, the Group has attracted human resources with diverse skills and experience, and currently about half of our management team is made up of people brought in from outside the company. The percentage of women in leadership and supervisory positions is also rising each year. It is clear that the key to sustainable growth lies in how we can flexibly leverage our highly diverse human resources. Accordingly, we will revamp our personnel system in parallel with our organizational reforms. First, we will implement a job grading system based on the mission agreed upon by the individual and the company to promote the selection and development of management human resources who will drive the growth of the entire AirWater Group. We will also enable employees in their 20s to be promoted to managerial positions, giving them the opportunity to take on job grades with greater challenges.

At the same time, in order to enhance the well-being of our employees, we will also review our benefit programs, especially for employees who have work restrictions related to childcare or nursing care responsibilities, and provide an environment where they can continue to develop their careers by supporting their employment in a variety of ways. In addition, as our business structure undergoes major changes, we have launched a project to promote diversity and inclusion, and will once again create an environment enabling diverse human resources to thrive. In addition, we will develop a group-wide human resources pool and promote job mobility as a framework for providing opportunities for everyone to take on new challenges.

Business strategy and human resources strategy combine to drive corporate growth. We have implemented a management model that leverages our people by creating an environment for the Group's diverse human resources to thrive



Creating positive environmental value for society

In 2021, we established our Environmental Vision 2050 and expressed our support for the Task Force on Climate-Related Financial Disclosures (TCFD). In line with this, we are taking on company-wide initiatives to create a decarbonized society, a resource recycling society, and a society in which humanity and nature can coexist. Based on our environmental vision, we aim to achieve a 30% reduction in greenhouse gas emissions (compared to FY2020) by FY2030 and become carbon neutral by 2050 under our long-term vision terrAWell30. We will also focus on recycling resources and conserving water by setting targets such as achieving an 80% waste recycling rate and a 10% reduction in per-unit water consumption (compared to FY2021).

However, in light of our purpose, it is important to address global environmental issues not only by reducing the negative impact of our own activities to zero as a part of our social responsibility, but also by providing positive environmental value to our customers and society, which will in turn lead to growth opportunities. In recent years, hydrogen energy particularly has been attracting attention as a means to achieve decarbonization, and we are working to establish a hydrogen supply chain business in the US by leveraging our extensive expertise and technologies in the production, storage, transportation, and use of hydrogen gas. In addition, we established Shikaoi Hydrogen Farm Co., Ltd. in Japan to produce clean hydrogen energy from biogas derived from livestock manure, aiming to simultaneously promote resource recycling and new energy sources by utilizing waste generated in local communities. Furthermore, we began construction of the Nature's Blessing Farm Matsumoto, a facility aimed at developing a resource recycling model based on locally produced and locally consumed energy, where unused biomass resources generated in local communities are effectively utilized to generate electricity, and the heat and carbon dioxide (CO₂) generated during power generation are used for land-based aquaculture and agriculture.

Steadily strengthening governance functions

With respect to corporate governance, we established a nomination and compensation committee, in which a majority of members are independent outside directors, as an advisory body to the Board of Directors. This will enhance the independence and objectivity of the functions of the Board of Directors with respect to the nomination and compensation of directors, while also enhancing accountability. We newly appointed Mr. Yoshihiro Senzai, who has a wealth of experience and deep insight as a corporate manager and engineer, as an outside director. We look forward to having Mr. Senzai provide us with an outside perspective and steer our management in the right direction. In addition, to reinforce Group governance, we will establish a functional support company that consolidates the accounting, finance, and other administrative operations of Air Water and our Group companies, promote operational efficiency, and build business processes that enhance our internal control system functions.

Fully fulfill our role in solving social issues by providing products and services that are essential to people's daily lives and industry

The Air Water Group currently has more than 100 businesses centered on industrial gas, with 676 business sites in Japan, 200 gas production sites, and 97 logistics sites. Based on this business infrastructure, we have 273 Group companies and approximately 20,000 employees in terms of organizational and human resources, as well as technological resources consisting of 540 R&D human resources, 290 engineers, and 138 collaborative projects between industry, government, and academia. Our strength lies in our ability to leverage this diverse set of management resources to create products and services that are essential to people's daily lives and industry. Moreover, the Air Water Group's presence in many areas has grown far beyond what it was when it was founded, and I believe we are fully capable of fulfilling our role in solving many social issues, including climate change and the super-aging society. As part of terrAWell30, we will maximize synergy creation by combining our diverse business portfolio, human resources, and technologies with the aim of reaching even greater heights.

I would like to ask all of our stakeholders for their continued support as we strive for further growth.



Chairman and Representative Director
Chief Executive Officer



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Vision & Strategy

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Kiyoshi Shirai

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COO Message

Representative Director and Executive Vice President

Ryosuke Matsubayashi

Our 2030 Vision

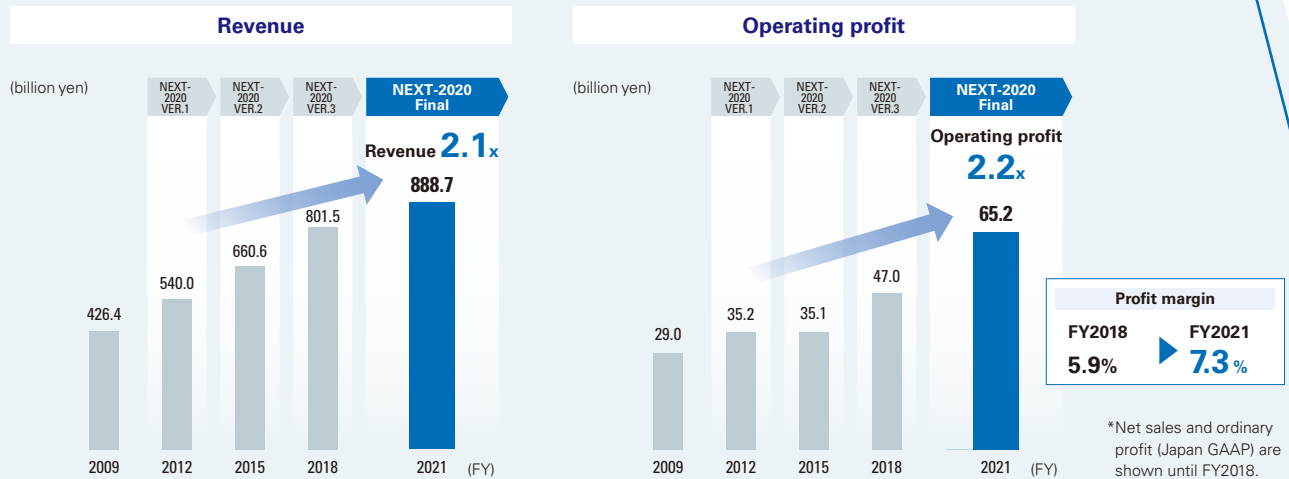
Harnessing the management resources we have hitherto accumulated and seeking to maximize corporate value with an even balance of both economic and social value



Achievements in the second foundation period

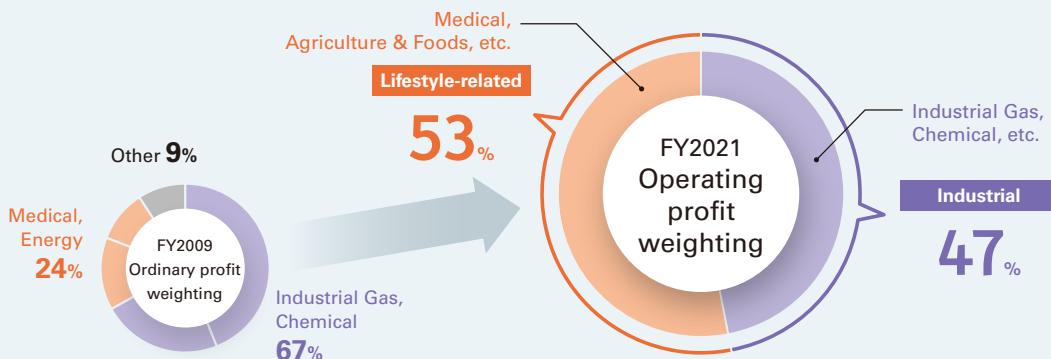
Over a 12-year period we achieved **2.1x** growth in revenue and **2.2x** growth in operating profit

While we proactively executed capital investments and M&A deals leveraging stable earnings in various business domains, we also pursued business structure reforms in an effort to improve profitability



We established an "all-weather" business portfolio with an optimal balance of industrial and lifestyle-related businesses

We capitalized on M&As to expand into more lifestyle-related business domains such as medical and agriculture & food products, and we established a business portfolio largely impervious to changes in the operating environment



The Third Foundation = terrAWell30

Creating new corporate value by solving social issues



The word "terra" in Latin means "earth," whilst "well" refers to "wellness" or in other words, a healthy life. We therefore named our vision "terrAWell30" with the hope that AirWater (AW) can bring the earth (terra) and wellness (well) together.

Business expansion

Revenue:
1.6 trillion yen
 (of which, overseas revenue ratio: 20%)

Profitability improvement

Operating profit:
160.0 billion yen
 Operating margin: 10%

Capital efficiency improvement

ROE : Stably over **10%**
 ROIC : Stably over **7%**



Non-financial KPIs

GHG emissions
Reduce by 30%
 (vs. FY2020)

The society we seek to create

- Decarbonization
- Resource recycling
- The coexistence of people and nature
- Smart society
- Healthy longevity

Basic policies for growth

1 Integrate the direction of our diverse business domains into the growth axes of "global environment" and "wellness"

2 Maximize the generation of synergies by leveraging diverse businesses, technologies, and human resources and a community-based business platform

3 Positively reinforce a virtuous cycle of growth and investment

Our 2030 Vision

With the aim of achieving the objectives of terrAWell30, we have transitioned to a business unit management structure by reorganizing our various business domains into four business groups

Basic policies for growth

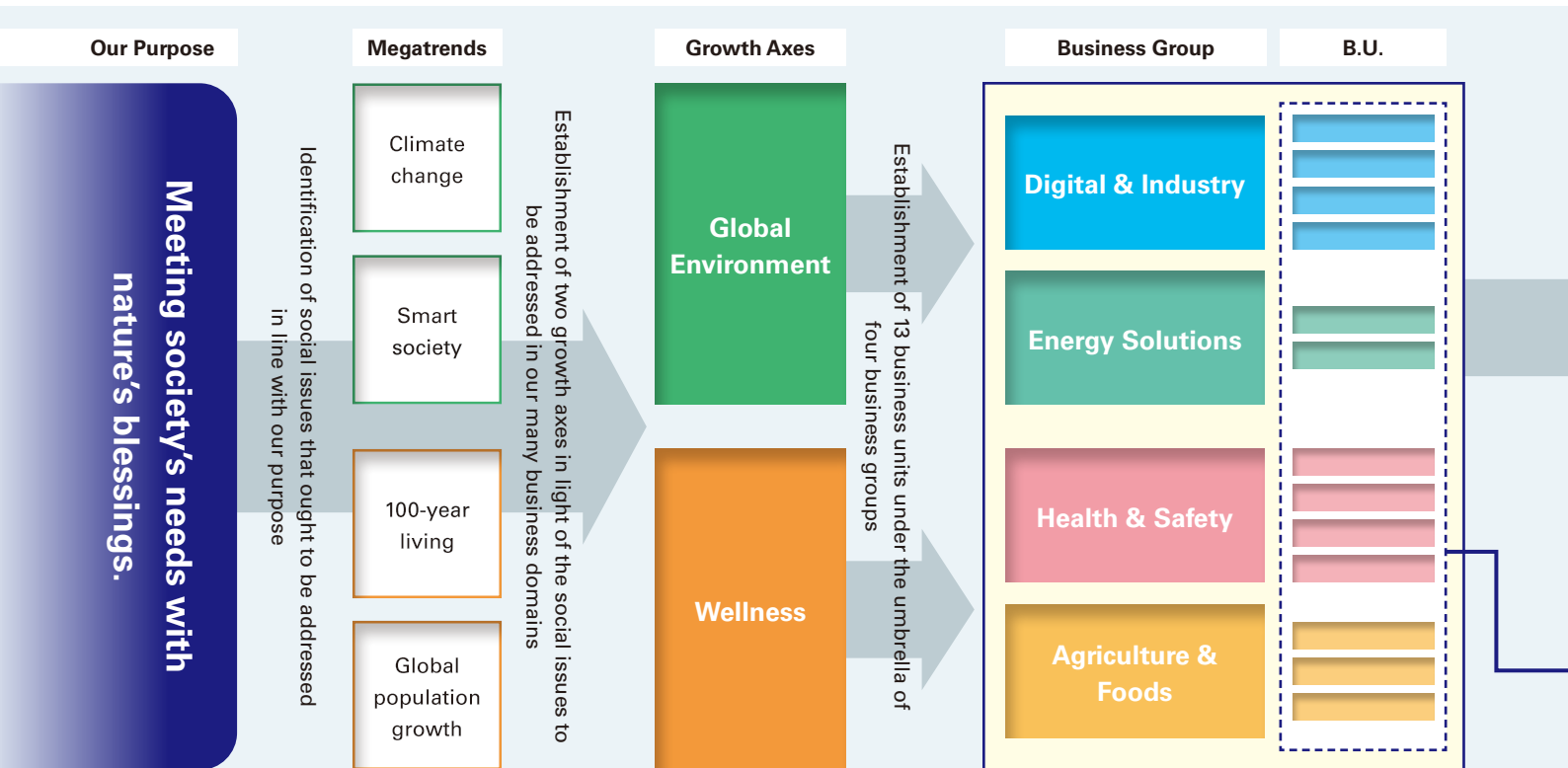
1

Integrate the direction of our diverse business domains into the growth axes of "global environment" and "wellness"

Basic policies for growth

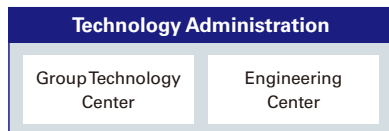
2

Maximize the generation of syner technologies, and human resource



Group-wide cross-divisional structure that strengthens management strategy functions and functions that facilitate the optimal allocation of management resources

Technology divisions that string together the Group's R&D and engineering



By stringing together and consolidating the Group's R&D and engineering technology resources through the Group Technology Center and Engineering Center, we will endeavor to beef up our technological expertise and promote the nurturing of specialists with the aim of incubating new businesses and expanding our footprint overseas.

Administrative divisions to guide business divisions on mainly matters of data management, DX, logistics reforms, and utilization of human resources



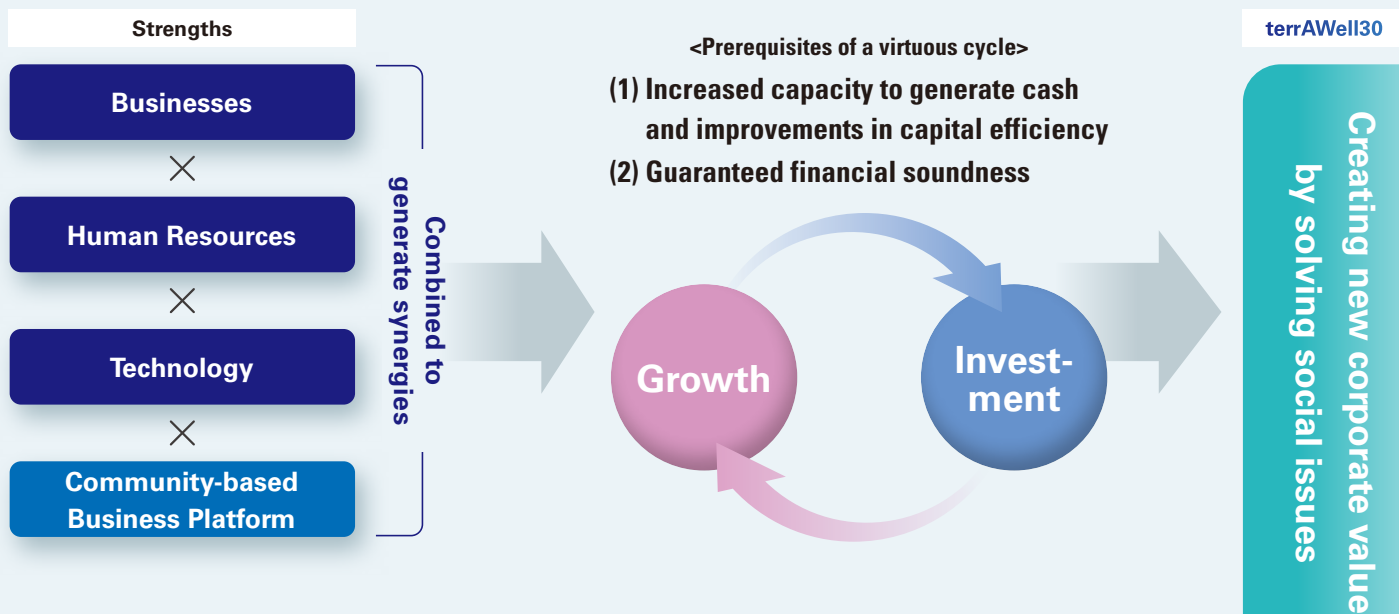
By positioning administrative divisions as Group Corporate Strategy Center functions and restructuring them as organizations tasked with formulating corporate strategy and optimally allocating management resources for the entire Group, we intend to lead the way forward for business divisions and Group companies mainly regarding data management, digital transformation, logistics reforms, and the utilization and nurturing of human resources. Also, we will consolidate the financial, accounting, labor, and administrative operations of AirWater and its Group companies into functional companies in order to drive the development of specialists and reinforce internal controls through more efficient operations and the visualization and standardization of business processes.

Strategies by leveraging diverse businesses, strengths and a community-based business platform

Basic policies for growth

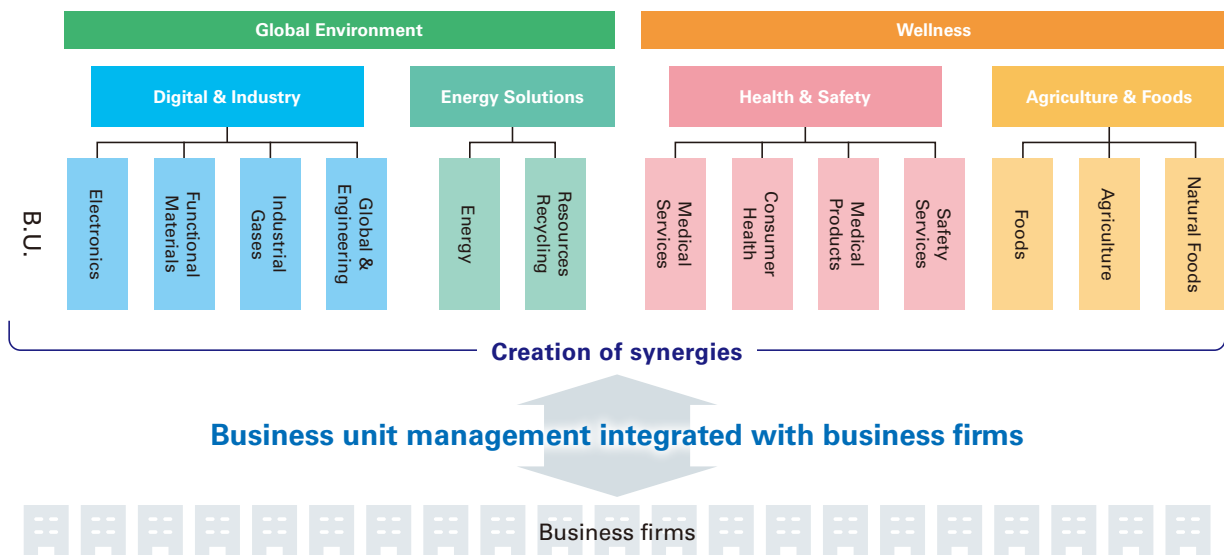
3

Positively reinforce a virtuous cycle of growth and investment



Business unit management integrated with Air Water's corporate organization and its business firms

We reorganized our various business domains into four business groups in line with our two axes of growth: global environment and wellness. We will press ahead with Group-wide integrated business unit management wherein each business group focuses on creating synergies between their affiliated business units and the business units formulate growth strategies concerning their affiliated business firms and optimally allocate management resources.



New Medium-Term Management Plan



COO Message

We will create synergies by optimizing Group management resources to expand our growth areas, strengthen profitability, and develop new businesses

Kiyoshi Shirai

President and Representative Director
COO

terrAWell30 1st Stage (FY2022-2024)

In fiscal 2021, the situation remained unpredictable, with global supply chains stagnating and resource prices soaring, while implementing COVID-19 prevention measures and engaging in socioeconomic activities at the same time became the norm. Nevertheless, we took steps to transform our business portfolio by expanding our business in the growing electronics market and in the industrial gas business in India, while also taking on initiatives to capture changes in the market brought on in the post-COVID new normal environment. In addition, we made progress in achieving total optimization of our production and sales system by promoting business restructuring, which included the integration and reorganization of Group companies in our Chemical, Medical, and Agriculture and Food Products businesses. As a result, revenue rose 10.8% year-on-year to 888.7 billion yen, and operating profit increased 27.2% year-on-year to 65.2 billion yen, marking a new record high for the Group. As a result of the three-year period under our previous Medium-Term Management Plan,

NEXT-2020 Final (FY2019-2021), we increased revenue by 146.4 billion yen and operating profit by 22.4 billion yen despite a highly uncertain business environment. In particular, operating profit far surpassed our management goal of 60 billion yen, and we were able to improve our operating profit margin to 7.3%.

Starting in fiscal 2022, we established “terraAWell30” as our vision for fiscal 2030, and as the first step toward achieving this vision, we launched our new Medium-Term Management Plan, “terraAWell30 1st stage” (FY2022-2024). The basic policy of this Medium-Term Management Plan is to expand our growth areas while enhancing profitability and developing new businesses based on synergies generated through the total optimization and the creative combination of our “diverse businesses, human resources, and technologies,” which are the greatest strengths of the Air Water Group. We aim to reach our target revenue of 1 trillion yen in fiscal 2022, which we postponed owing to the COVID-19 pandemic, and then achieve 1.2 trillion yen in revenue in fiscal 2024. In terms of operating profit, we are targeting 100 billion yen in fiscal

Achievement Status of Management Goals under the Previous Medium-Term Management Plan “NEXT-2020 Final” (FY2019-2021)

(Unit: billion yen)	FY2018 Results	FY2021 Plan	Comparison	FY2021 Results
Revenue	742.3	1,000.0	×0.89	888.7
Operating Profit	42.8	60.0	×1.09	65.2
Operating Profit Margin	5.8%	6.0%	+1.3pt	7.3%
Profit attributable to owners of the parent	28.8	37.0	×1.17	43.2
Overseas Revenue Ratio	5.0%	10.0%	-1.4pt	8.6%

2024, and will continue lifting our operating profit margin.

We will expand our electronics and overseas industrial gas businesses, which are expected to be highly profitable in general, while enhancing profitability by totally optimizing Group management resources and creating synergies, especially in existing businesses in Japan, to drive earnings growth. In addition, we will look at social issues in local communities as business opportunities amid the drastically changing social environment, and develop new businesses that will support the next stage of our growth. We plan to make aggressive capital investments and engage in M&A activities in our global and other growth areas, while also boosting our funding capabilities and capital efficiency to sustain a virtuous cycle of growth and investment.

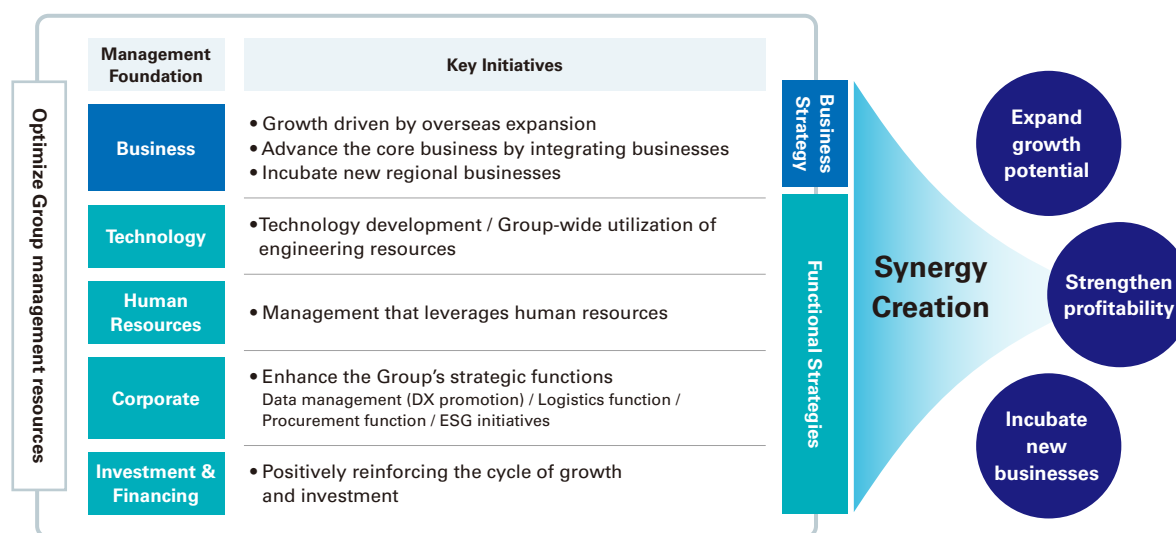
The management goals of this Medium-Term Management Plan will be achieved not only through implementing business strategies, but after creating various synergies that go beyond

the boundaries of business by combining functional strategies in areas such as human resources, technology, and administrative divisions, and by promoting total optimization of Group management resources.

In terms of functional strategies, we will cross-functionally integrate the Group's R&D and engineering technology resources, and ramp up technology-centered new business creation by promoting open innovation. In addition, we will implement a management model that leverages human resources by promoting the Group-wide rotation and movement of management human resources through human resources system reform and developing an internal human resources pool. At the same time, we will improve profitability by having our administrative divisions take the lead across the entire Group to work on business innovation driven by digital transformation (DX), logistics reforms, and optimization of procurement activities.

Basic Policy

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



Management Goals

Aim for consistent growth in revenue and operating profit, as well as increase in profitability

(Unit: billion yen)	FY2021 Results	CAGR (FY2021-2024)	terrAWell30 1st stage FY2024 Plan
Revenue	888.7	10.5%	1,200.0
Profitability	Operating Profit (Operating Profit Margin)	65.2 (7.3%)	100.0 (8.3%)
	Profit attributable to owners of the parent	43.2	63.0
	Overseas Revenue Ratio	8.6%	11% or higher
Capital Efficiency	ROE	11.5%	10% or higher
	ROIC	6.6%	7% or higher

New Medium-Term Management Plan

Growth Policy by Business Unit

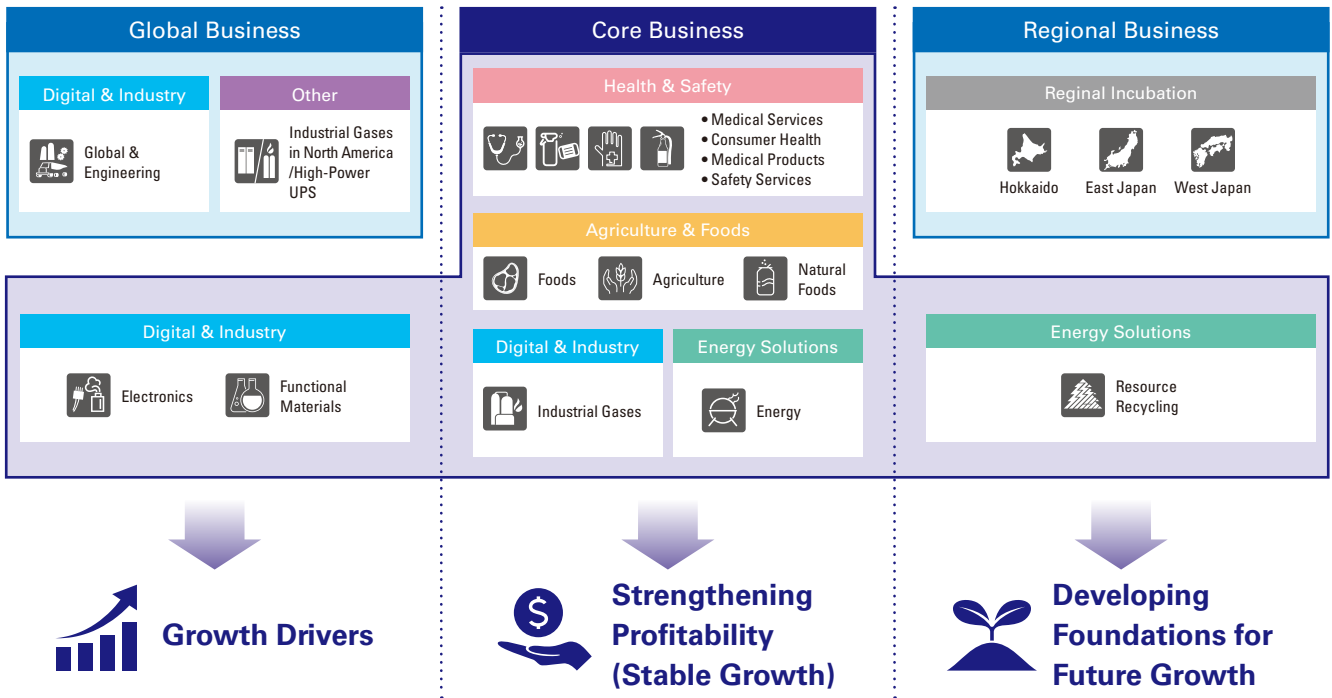
As a growth policy for our diverse business portfolio, we have classified each business group/unit into the three stages of “growth drivers,” “strengthening profitability (stable growth),” and “developing foundations for future growth,” and will promote business strategies tailored to each of these three stages.

Our growth drivers are in two areas: the overseas industrial gas business and electronics business. For our overseas operations, we see the expansion of the industrial gas field in India and North America as our highest priority objective, and will strengthen our engineering structure, which is essential for expanding our industrial gas supply business, and aggressively make strategic capital investments and pursue M&A opportunities. In the electronics business, the other growth driver, we will steadily invest in expanding gas supply plants in response to the expansion of production by semiconductor manufacturers in Japan, and also build a new business model that integrates the Group’s Industrial

Gas and Chemical Businesses, with a focus on the semiconductor manufacturing value chain. At the same time, we will focus on strengthening our development capabilities in the field of functional materials.

In existing businesses in Japan, including Industrial Gas, Energy, Health & Safety, and Agriculture & Foods, we will expand business in growth areas as a foundation for stable growth, while working to strengthen profitability by carrying out business restructuring through integrating and reorganizing Group companies and promoting digital transformation (DX).

In developing the foundations for future growth, our regional businesses, which provide a venue for exploring new businesses in line with local social issues, and our resource recycling unit, which is working to create a decarbonized society by commercializing clean energy supply through CO₂ capture and reuse as well as locally produced and locally consumed energy, will play a central role.



Financial Strategy and Shareholder Returns

With regard to financial strategy, our basic policy is to achieve a virtuous cycle of investment and growth by boosting our funding capabilities and capital efficiency while proactively making investments. In terms of capital efficiency, we have set company-wide targets with the aim of consistently achieving ROE (Profit margin attributable to owners of the parent of 10% or higher and ROIC (return on invested capital) of 7% or higher.

For investments, we carefully select and execute investments based on an IRR (internal rate of return) of 8% or more in Japan while taking country risk into account on top of IRR for overseas investments. We will maintain a sound financial position by ensuring the ratio of equity attributable to owners of the parent is

between 36% to 40% and by setting a target range for net D/E ratio of 0.8 to 1.0 times. In addition, we will use ROIC as a management indicator for existing businesses and past investments to improve capital efficiency for the entire Group. Our planned total investment for the three-year period of this Medium-Term Management Plan is 400 billion yen, approximately 1.5 times that of the previous Medium-Term Management Plan. We expect to invest 260 billion yen in facilities, including new and additional on-site gas supply facilities for the electronics sector and expansion of industrial gas and engineering bases in North America, as well as 140 billion yen in M&A investment. Of these amounts, we plan to invest approximately 70 billion yen overseas, which will drive future growth.

Financial Strategy and Shareholder Returns



The administrative divisions will take the lead in optimizing the entire Group in terms of data management, promoting digital transformation, logistics reforms, procurement activities, streamlining operations, and leveraging and developing human resources, with plans to generate over 5 billion yen in profits in fiscal 2024, the final year of the Medium-Term Management Plan. With respect to cash flow, we expect to generate approximately 310 billion yen in operating cash flow over the three-year period by improving the profitability of each business, carefully selecting investments and stepping up post-investment monitoring, shortening the cash conversion cycle (CCC) by 10%, and streamlining assets by consolidating and closing offices. In terms of capital allocation, we plan to use this operating cash flow to fund capital investments and dividends, while also using borrowings to fund M&A deals.

As for shareholder returns, our target dividend payout ratio is 30% or more, and we aim to pay stable dividends in line with our business performance. In fiscal 2021, our annual dividend per share was 56 yen, an increase of more than 2.5 times over the past 10 years.

Investment Plans (Capital Expenditures, M&A)

Proactive investment for growth, including overseas M&A

terrAWell30 1st stage (FY2022-2024) (Unit: billion yen)



(Ref) NEXT-2020 Final (FY2019-2021) (Unit: billion yen)



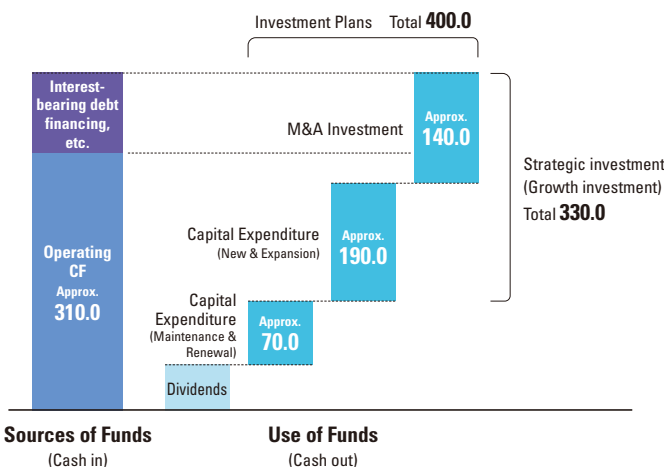
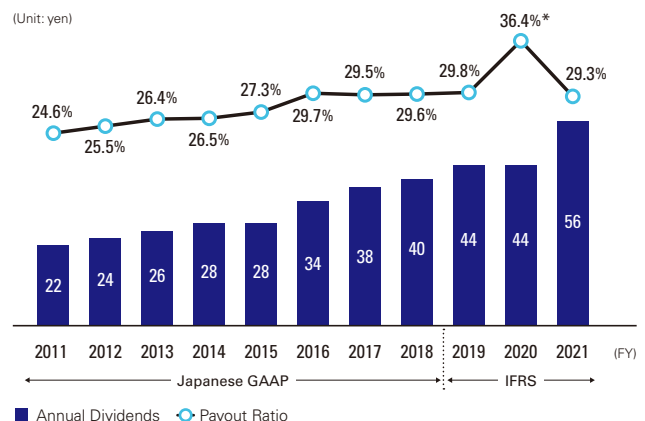
Capital Allocation Policy 3-year cumulative total: FY2022-2024 (Unit: billion yen)

Use operating cash flow for dividends and capital investments, while also incorporating borrowings to fund M&A deals

Shareholder Return Policy

Aim for a dividend payout ratio of 30% and pay stable dividends commensurate with performance in the future

Annual Dividends and Dividend Payout Ratio



*Maintained stable dividend despite decrease in earnings per share following the impact of tax reform in India.

New Medium-Term Management Plan

Regional Strategy

The Air Water Group has long had a community-based direct sales system for industrial and medical gases, which are its founding business, and maintains a business infrastructure consisting of sales, maintenance, and delivery bases throughout Japan. By leveraging this regional business base and our strength in providing a wide variety of products and services that are essential for daily life and industry, we have been expanding our businesses in local communities. In 2020, we consolidated and reorganized our eight regional business companies into three companies, Air Water Hokkaido, Air Water East Japan, and Air Water West Japan, and positioned the organization to drive business growth in Japan.

These three regional business companies will advance our businesses by taking in customer needs from a much closer position and considering the needs of the market, while leveraging our business infrastructure consisting of gas production and distribution bases, including VSU. Each company has its own dedicated business planning department, and will work to expand market share and reinforce existing businesses centered on industrial gas, medical, and energy segments through thorough marketing and M&A. At the same time, each company will enhance profitability of each business by promoting digital transformation and appropriately allocating human resources, for example, by leveraging technologies such as remote monitoring and control to streamline production and delivery operations.

Furthermore, we aim to achieve further growth by creating new businesses that help solve regional and social issues by developing solution-based businesses across diverse business domains and through technological innovation in collaboration with local governments, universities, and companies that play a leading role in regional industries. Specifically, in the area of "Global Environment," we will work to build a resource-recycling business model that harnesses regional characteristics. This includes locally produced and locally consumed clean energy using livestock manure and other biomass, small-scale woody biomass power generation that uses thinned wood as fuel to generate electricity while simultaneously using the heat and CO₂ generated for

vegetable production, distribution systems that properly process waste and reuse it as resources without burdening the environment, and so on. In the area of "Wellness," we will work to create new businesses that help solve regional social issues such as the super-aging population and depopulation. These include using our LP gas sales bases to provide services that support independent living for the elderly, providing home medical and rehabilitation systems using remote technology, and creating a new agricultural business model that incorporates resource-recycling land-based aquaculture and the Group's processing technologies and logistics capabilities.

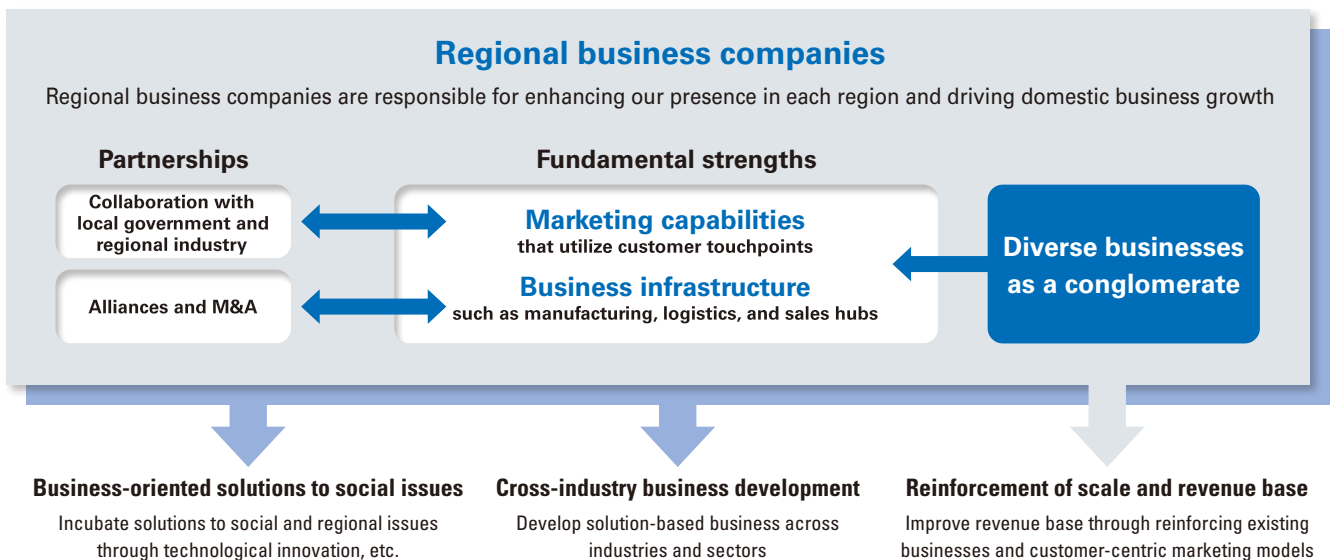
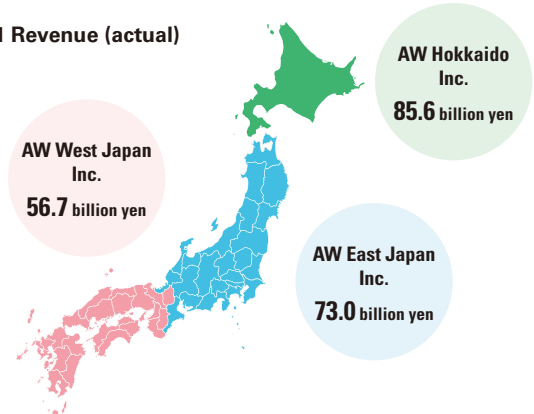
Regional Business Expansion

Improve profitability of existing businesses (industrial gas, medical, energy) and incubate new businesses that contribute to solving social issues

<Basic Policy>

- Improve profitability by expanding market share, promoting DX, etc. in a maturing market
- Achieve further growth by combining diverse businesses, technologies, and know-how with social capital built up over the years in the region to turn local issues (needs) into businesses.

FY2021 Revenue (actual)



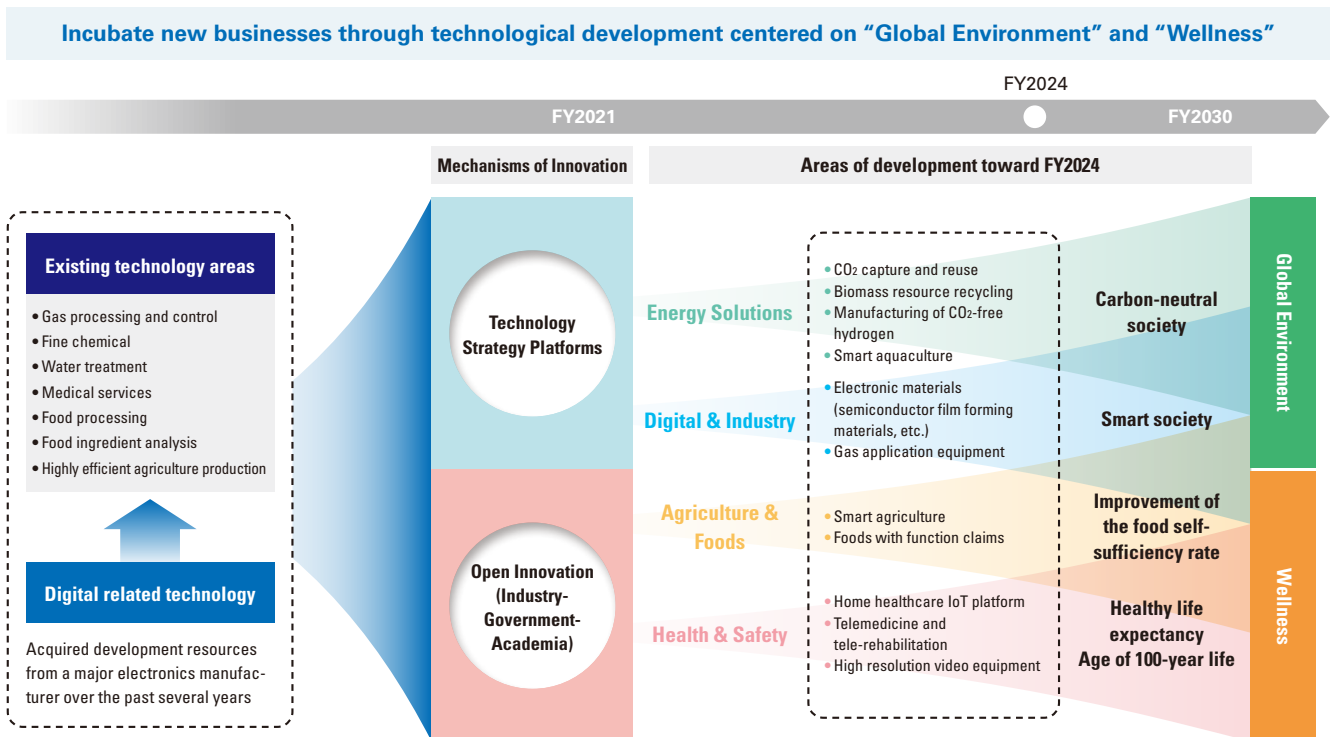
Technology Strategy

With regard to our technology strategy, the Group Technology Center, which serves as a platform for the Group’s technology strategy, will play a central role in integrating the Group’s diverse technology areas by centralizing the Group’s technological resources and pursuing open innovation to create cutting-edge technological innovations.

Specifically, in addition to our existing technology areas such as gas, medical, and food-related technologies, we will utilize digital technologies such as image processing and remote communication, which we have acquired from external sources over the past

several years. We will promote technological development centered on themes that help solve social issues such as achieving “a carbon-neutral society,” building “a smart society,” “improving food self-sufficiency rate,” and “extending healthy life expectancy,” with a focus on “Global Environment” and “Wellness.” In particular, we will work to create new businesses that leverage our local business base by focusing on the development of technologies for CO₂ capture and recovery, biomass resource recycling, energy conservation, smart agriculture and aquaculture, functional foods, telemedicine and rehabilitation, and other areas.

Technology Development for New Business Creation







Sustainability Initiatives

We have set our Sustainability Vision for the year 2050 to “achieve a recycling-oriented society through coexistence with society and the earth,” and under our purpose of “meeting society’s needs with nature’s blessings,” we will create a recycling-oriented society through our business activities, achieve zero environmental impact, and regenerate the global environment. At the same time, we will

strive to continue to be the preferred partner of local communities and customers while ensuring the wellbeing of our employees.

In this Medium-Term Management Plan, we have set specific KPIs for each of the main themes of our sustainability initiatives, which include “fighting climate change,” “realizing resource recycling,” “limiting environmentally hazardous substances,” and “ensuring the well-being of employees,” and will work toward achieving these KPIs.

Non-financial Key KPIs

 Fighting climate change	 Realizing resource recycling	 Limiting environmentally hazardous substances	 Ensuring the well-being of employees
Achieve carbon neutrality	Achieve virtually zero waste emissions	Conserve water resources	Promote Diversity & Inclusion <small>*Non-consolidated basis</small>
FY2030 Goal GHG emission: reduce by 30% <small>(vs. FY2020)</small>	FY2030 Goal Waste recycling rate: 80% <small>(65% in FY2021)</small>	FY2030 Goal Per-unit water consumption*: reduce by 10% <small>(vs. FY2021)</small> <small>*Per-unit water consumption: Water consumption per revenue</small>	FY2024 Goal Female management position: 10% <small>(4.0% in FY2021)</small>
			Eliminate occupational accidents
			FY2024 Goal Frequency rate of accidents associated with days away from work (during work hours): 0.9 or less <small>(1.15 in FY2021)</small> <small>*Frequency rate: Number of people involved in accidents per 1,000,000 total working hours</small>

Global Strategy



COO Message

We will accelerate the expansion of our global business by focusing on three growth strategies

Ryosuke Matsubayashi

Representative Director and Executive Vice President
COO
In Charge of Global and Engineering

Overseas Markets and Our Strengths

In order to achieve our targets set forth in terrAWell30, it is essential that we expand our global business while strengthening our stable growth base in Japan. Accordingly, we will accelerate the expansion of our industrial gas and related equipment and engineering businesses, focusing on India and North America as our priority regions.

The Indian government has set a goal of raising its annual crude steel production capacity to 300 million tons by FY2030, more than double the current level, in line with the country's further economic growth and population increase, and industrial gas is also expected to be in strong demand. Meanwhile, North America is the world's largest market for industrial gas, which is approximately four times the size of the Japanese market, and demand for hydrogen is growing rapidly as we move toward a decarbonized society.

Against this backdrop, the AirWater Group is well positioned to compete against its peers in overseas markets. For example, industrial gas must be produced, transported, and supplied in a wide variety of forms according to customer needs. To accommodate this, the AirWater Group offers a full lineup of hydrogen production and carbon dioxide recovery technologies, in addition to cryogenic air separation systems (ASU) ranging from small to ultra-large systems and proprietary adsorption separation technologies for recovery, separation, and purification. Not many global industrial gas producers have all of these technologies in-house. Furthermore, in the engineering field, we already have a local manufacturing base and technological foundation, and we believe we can create added value by combining industrial gas-related technologies with engineering technologies to solve various issues.

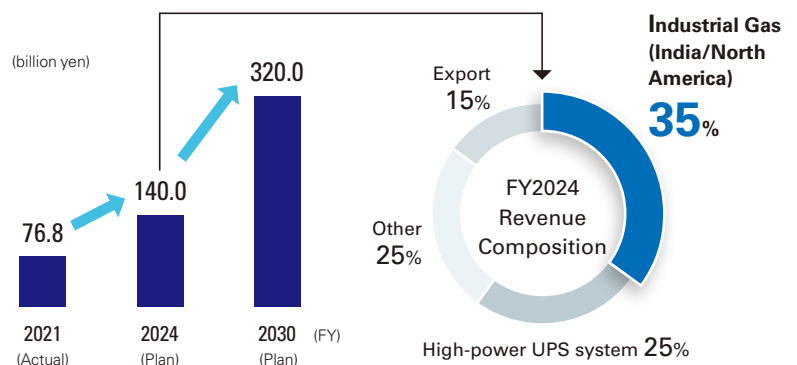
Air Water Group's Key Overseas Sites



FY2021
Global revenue
76.8 billion yen

*Number of companies includes 4 consolidated overseas subsidiaries based in China.

Revenue Target



Three Growth Strategies and Medium- to Long-term Targets

Looking ahead to the revenue target of 320 billion yen for the global business in FY2030 under the *AWell30*, the Air Water Group aims to achieve 140 billion yen in revenue in FY2024, the final year of the first stage of the plan (approximately 1.8 times FY2021 revenue), with overseas sales revenue as a proportion of total sales at 11% or higher. To this end, we expect to invest ¥70 billion overseas over the next three years, mainly in North America and India.

In terms of growth strategies, we will promote the three strategies of building a supply chain (supply infrastructure network), creating a new portfolio, and establishing a business promotion system to support the first two strategies. In building a supply chain (see pages 33-34), we will develop infrastructure and form a customer network to support a stable supply of industrial gas in India and North America. In particular, we will focus on

capturing large customers by winning orders for on-site projects, and expand our gas supply network by building our own plants, filling stations, and other sites. As for creating a new portfolio, we will broaden our business by providing solutions to social issues common throughout the world, such as decarbonization, by leveraging our industrial gas technologies.

We will also strengthen our organization and structure to support these business expansions. Until now, our global business has been organized and structured as a derivative of our domestic business, but in order to accelerate our growth in overseas markets, we must make management decisions more quickly and ensure sound governance. Accordingly, we will develop a new organizational structure and risk management system to facilitate self-directed business development in overseas markets.

Creating a New Portfolio

In our global business, we will actively work to create new businesses while also building an industrial gas supply chain. The US market in particular offers an environment conducive to bringing forth innovations that solve social issues, thanks to relatively loose regulations, the presence of many development bases of market-leading companies, and the abundance of human resources to support these development activities.

For example, the demand for green hydrogen is growing significantly in California under the government's policy to introduce zero-emission vehicles, and we are conducting a feasibility study with our partner, Mitsui & Co., Ltd., to launch a green hydrogen production and sales business in FY2025. In addition, carbon dioxide sources in the US are falling as a result of decarbonization policies and soaring energy prices, causing a supply-demand

crunch. To address this, we will establish a business for recovering and reusing carbon dioxide gas generated from boiler exhaust and small ethanol plants, which have not been utilized to date, by FY2024. Furthermore, as the development of vaccines and new drugs accelerates among major pharmaceutical manufacturers, we aim to expand our cold chain business by offering a lineup of freezing, transportation, and storage equipment for medical and bio-related applications. Going forward, we plan to supply freezers and large cryogenic warehouses that use liquid nitrogen for pharmaceutical products. These businesses are already in demand with a multi-billion yen market, and we intend to establish a business model in the US, then roll it out to Japan, India, and the rest of the world.

Establishing a Business Promotion System

Strengthening our engineering organization

Our engineering organization is an essential component in expanding our industrial gas supply business overseas. Accordingly, we will build a foundation for a cost-competitive global engineering organization based on the Air Water Group's plant technologies ranging from small and medium-size to large-size plants. As part of this effort, in FY2022, we are developing a database of global engineering human resources while also formulating a human resources development plan to guide recruitment, training, and assignment/rotation based on the strategies of our global business.

Strategic alliance with Mitsui & Co., Ltd.

In February 2022, Air Water and Mitsui & Co., Ltd. entered into a strategic alliance to expand our business in the global market with a focus on industrial gas. As a first step, we have begun a collaboration to expand our industrial gas and hydrogen gas business in North America, with Mitsui & Co., Ltd. subscribing to \$40 million

in preferred shares of Air Water America, a wholly owned subsidiary of Air Water. Mitsui & Co., Ltd. has a wide range of customers and partners in the North American market, including those in the steel, chemical, and food industries, and we will combine this business network with the Air Water Group's technology and expertise to accelerate the expansion of our global business.

Business and risk management

In order to promote our global business and capitalize on it as a growth area, we must make timely management decisions that address the diversity of overseas markets in terms of laws, business customs, and other factors. To this end, the Global Business Administration Department, newly placed within the Engineering Center, which oversees the engineering functions of the entire Group, will provide centralized management information for overseas business companies and establish a system that will enable prompt management decisions.

Building a supply chain

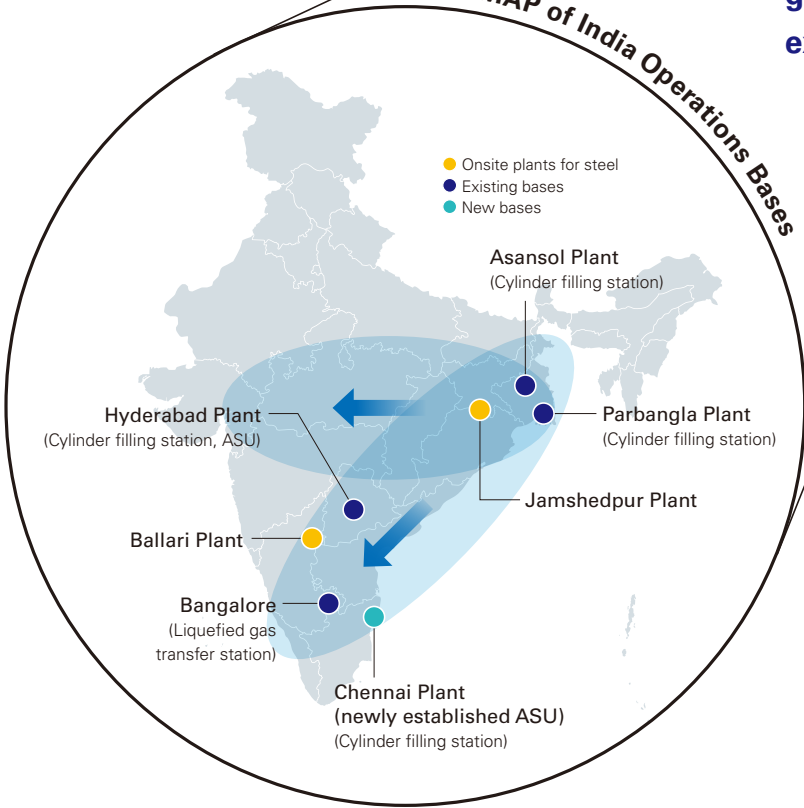
India



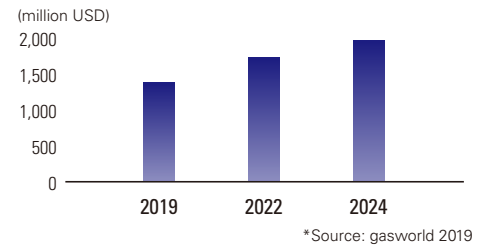
India Market Strategy

Enhance the business base to accelerate growth against the backdrop of the rapidly expanding Indian steel market

MAP of India Operations Bases



Forecast of India Industrial Gas Market



- Policy 1** Obtain large on-site projects for steels
- Policy 2** Base expansion by building new liquid plant and cylinder filling station
- Policy 3** Expanding engineering structure

We entered the Indian market in 2013 by acquiring a stake in a local industrial gas producer, and in 2014 we established Air Water India, our subsidiary overseeing and managing operations in India. We also acquired a partial stake in a local subsidiary of a major industrial gas company in 2019, solidifying the foundation of our on-site gas supply business for steel mills as the first and second largest in India, as well as our tank truck and cylinder gas business mainly serving the eastern and southern parts of the country. In 2021, Air Water India shifted to a flexible business promotion system and has been promoting business expansion under the basic strategy of acquiring new projects for on-site gas supply to the steel industry and building manufacturing and logistics infrastructure by expanding the number of bases in various areas by leveraging the technology, expertise, and track record fostered in Japan.

Recently, we have received several inquiries for on-site gas demand in connection with new or additional blast furnaces, and we are stepping up efforts to secure orders. In FY2022, we decided to build our first plant in India, where the Air Water Group will handle everything from design and fabrication to installation and operation in Chennai, in the southern state of Tamil Nadu.

Construction is scheduled to begin in October 2023 and operation in October 2024. The southern part of India has become a major center of automotive-related industries and is expected to have the highest economic growth in India, with the Tamil Nadu government targeting an annual growth rate of 15% in the state's manufacturing sector. In addition, we plan to build gas production facilities in the western states of Gujarat and Maharashtra to capture demand in the steel, automotive, and construction materials industries.

Under terrAWell30, we will expand our supply infrastructure network by building our own plants and filling stations with the aim of boosting production capacity in the eastern part of the country, where there are many steel-related businesses, and in the southern part, which has a high concentration of automotive companies, while also expanding our business westward. At the same time, we will expand our local engineering organization in line with the in-house plant construction.

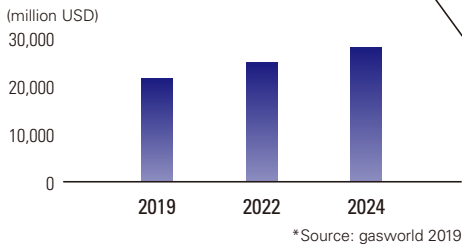




North American Market Strategy

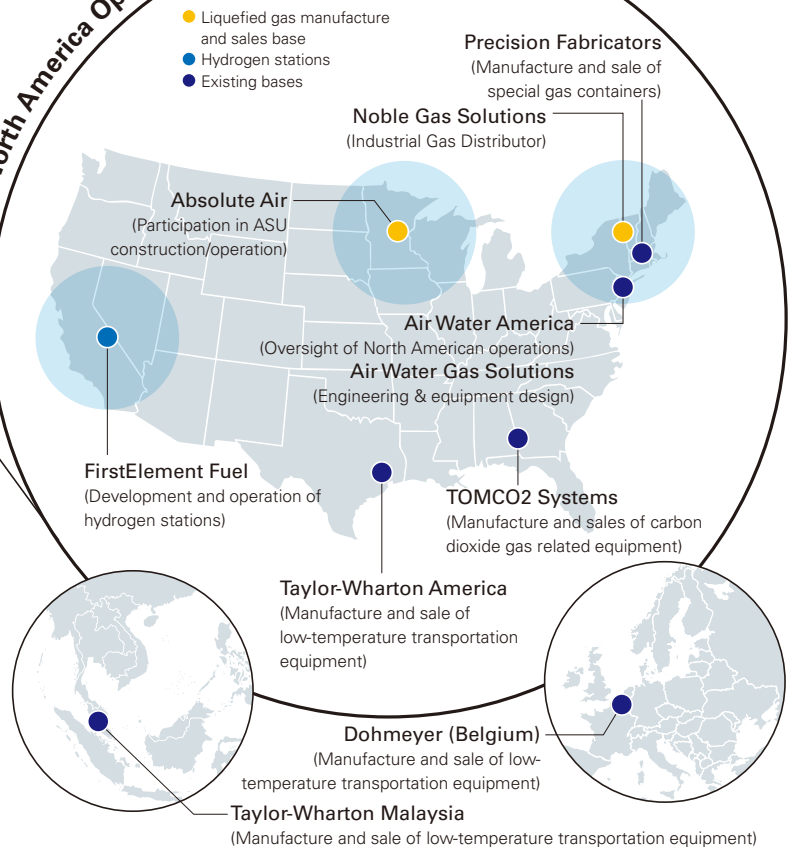
Launch industrial gas supply business based on the U.S. version of the "VSU" strategy, aiming to expand to multiple areas as soon as possible

Forecast of US Industrial Gas Market



- Policy 1** Distributor M&A and the U.S. version of VSU
- Policy 2** Obtaining onsite gas supply by utilizing the network of Mitsui & Co., Ltd.
- Policy 3** Capture demand related to hydrogen and decarbonization

MAP of North America Operations Bases



The North American market has a wider range of industrial gases and a wider variety of customers than the Japanese market. In addition, we expect demand in new areas to grow, such as demand for hydrogen gas on the back of the decarbonization trend. In the North American market, which is attractive in terms of both size and growth potential, the first step for the AirWater Group is to establish partnerships with the more than 600 local gas distributors and customers in order to build an industrial gas supply network. Therefore, we will first promote the US version of our VSU strategy, which involves sharing the latest ASU (cryogenic air separation system) technology and gas application equipment with distributors in strategic regions, and building a base for industrial gas production and sales.

By the end of FY2022, a liquefied gas plant designed and built by AirWater America will commence operations in Minnesota. In addition, we have completed an M&A deal for a distributor in New York and are in discussions for M&A opportunities and collaborations in several other strategic regions, which we expect will come to fruition soon. On the

other hand, we will focus on quickly securing orders for new on-site supply projects and developing the market for gases and equipment related to hydrogen and decarbonization by leveraging our strategic partner Mitsui & Co., Ltd.'s customer network in the chemical, steel, energy, and other sectors.

The AirWater Group has been involved in the business of liquefied hydrogen tanks installed in hydrogen filling facilities for fuel cell forklifts (FCFs) ahead of our competitors. In 2021, we invested in FirstElement Fuel, Inc. the largest developer and operator of hydrogen stations in California. The company aims to expand its network of hydrogen stations in California from the current 31 to 80 stations by 2024, and we plan to support this expansion by providing liquefied hydrogen tanks and transport trailers.



02

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Wellness



Global Environment



Management Messages

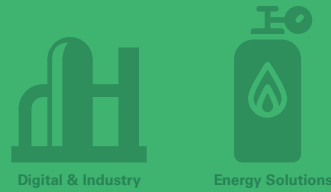


Global Environment

Kazuya Mizuno
Corporate Director,
Senior Managing
Executive Officer
In Charge of Global
Environment Field

Global Environment

Helping to bring about a digital and green future, as well as a decarbonized and circular economy society



Social Issues and Market Environment

In the global environment field, the Digital & Industry (D&I) Group and Energy Solutions (ES) Group have their sights set on contributing to the realization of a digital and green future and a decarbonized and circular economy society.

The D&I Group is contributing to a digital and green future mainly by providing a wide variety of gases and chemical products for semiconductor manufacturing that will underpin the evolution of digital technology. Although the conventional boom-and-bust silicon cycle of every few years is still subject to inventory adjustments, the market is currently shifting to a so-called “ultra-super cycle” in which semiconductor demand will continue to steadily expand on the whole. In addition, the development of materials that can deliver high performance and energy savings is also a key market topic if we are to reduce power consumption as digitalization becomes further entrenched in society.

In the area of decarbonization and circular economy—the core focus of the ES Group—the switch from fossil fuel energy sources to those that produce fewer CO₂ emissions, like LNG and hydrogen, is gaining traction. At the same time, in heeding the lessons learned from the natural disasters that have occurred frequently ever since the Great East Japan Earthquake, momentum is building for the optimal utilization of various energy sources taking into account regional characteristics, as well as greater efficiency, risk diversification, and less environmental impact in the energy supply. Accordingly, society’s attention is turning to circular economy models that leverage local energy for local consumption.

Strengths and Key Measures

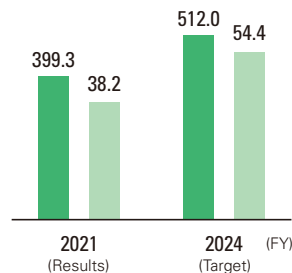
The D&I Group intends to build a new business model and strengthen its development capabilities by combining the Industrial Gas Business, which is omnipresent in a myriad of industries, with the materials development-oriented Chemical Business. Particularly when it comes to semiconductor manufacturing, we will seamlessly manage products for both front- and back-end processes so that we can approach customers and develop products with a commanding view of all processes and look to expand our business scope to peripheral domains. More

specifically, we intend to scale up our supply of gases, primarily nitrogen and argon, to support front-end processes, while for the semiconductor value chain, we will work on bolstering our technological and development capabilities in the areas of devices and components for semiconductor manufacturing equipment and functional materials and mounting substrates that support back-end processes. We will also seek to further reorganize our businesses and actively undertake M&As.

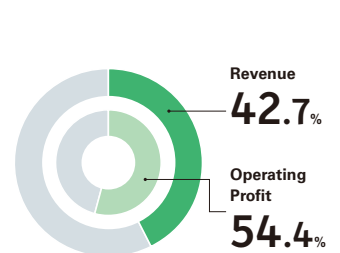
Alongside the transition to cleaner energy, we believe the ES Group has a business opportunity to shift to a circular economy energy system for local production and local consumption by utilizing its strength of already possessing regional business platforms. Accordingly, we will position our conventional Lifestyle and Energy Business, which is mainly focused on the supply of LP gas, as an environmental business. Also, carbon dioxide gas and hydrogen in the Industrial Gas Business will be framed as our circular economy business. Based on this restructuring, we will aim to build a circular economy model that harnesses local energy for local consumption. In addition, we will actively push ahead with the development of technology that is supportive of low-carbon and carbon-free technologies, including CO₂ separation and recovery, and open up new energy fields, like biogas for example, by drawing primarily on the separation and refinement technologies we have hitherto honed in the Industrial Gas Business.

Revenue and Operating Profit Targets

(billion yen)



Weighting of Company-wide Earnings in FY2024



Wellness

Wellness

Contributing to healthy living and rising to the challenge of solving various issues in society



Health & Safety



Agriculture & Foods

Social Issues and Market Environment

In the wellness field, the Health & Safety (H&S) Group and Agriculture & Foods (A&F) Group are taking up the challenge of helping people lead healthy lives by extending healthy longevity, guaranteeing food security, and addressing many other social issues.

Japan is presently on the cusp of a “super-aged” society the likes of which have never been seen before in any country. Ahead of this era of 100-year lives, extending the lifespan and period during which someone can live healthily and independently has become a major challenge for society. In this environment, the role of providing comprehensive community-based health care, including home-based care, rehabilitation, and welfare and nursing care services, is growing increasingly important from the perspective of not only making medical care more efficient and keeping costs down, but also alleviating the burdens on healthcare professionals. And with the global population having gone past the 8.0 billion mark, food security is becoming an increasingly serious issue, especially given the skyrocketing prices of imported agricultural produce owing mainly to the Japanese yen’s weakness and deterioration in the Russia-Ukraine conflict. In particular, Japan’s calorie-based food self-sufficiency rate has dropped to 38% and a labor shortage in the agricultural sector has also become a real problem as a result of the falling birthrate and aging population.

Strengths and Key Measures

In anticipation of changes to Japan’s healthcare system, which continues to see an increasingly higher weighting of home-based care as the country’s population rapidly ages, the H&S Group will look to expand its businesses centering on regional networks. The AirWater Group has already established a business platform for home-based care, mainly through the provision and maintenance of oxygen concentrators, and we also possess the technology to support telehealth services. Leveraging these strengths, we intend to enhance our presence as a provider of not only acute care, but also integrated community care centering on home healthcare. In addition, demand for preventive healthcare for the purpose of disease prevention is also on the rise. We therefore

Keita Hara

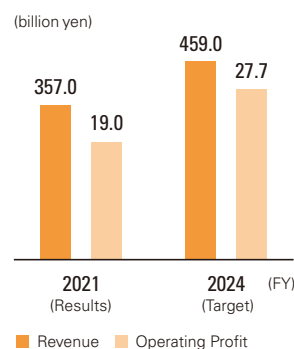
Corporate Director,
Senior Managing
Executive Officer
In Charge of
Wellness Field



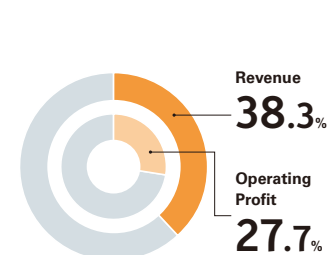
intend to expand our consumer healthcare offerings centering on oral care and functional food products. As part of this initiative, we plan to open a health & lifestyle open innovation facility, tentatively named AirWater in KENTO, in the first half of FY2023 in the city of Settsu in Osaka.

The A&F Group will endeavor to grow its business by solving problems pertaining to agriculture and food by fully capitalizing on its strengths in logistics and processing functions, as well as the brand power of farmed goods from Japan’s major producing region of Hokkaido, which boasts approximately one quarter of the country’s arable land. On the topic of food security, we will further evolve our processing and storage technologies and ensure the timely supply of crops in light of the supply-demand balance. We will also develop other technologies, such as temperature control and soil analysis for smart farming, to not only improve cultivation efficiency, but to reduce the need for farm labor and keep manpower to a minimum. In doing so, we hope to contribute to the advancement of agriculture in regional areas. Furthermore, we will seek to develop processing technologies and the like that can make a difference in reducing food loss and also take steps to utilize energy generated from food residue.

Revenue and Operating Profit Targets



Weighting of Company-wide Earnings in FY2024

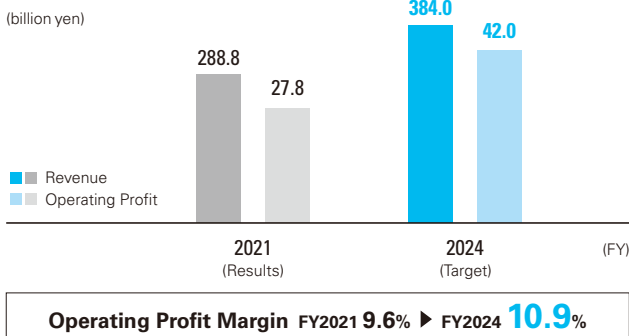




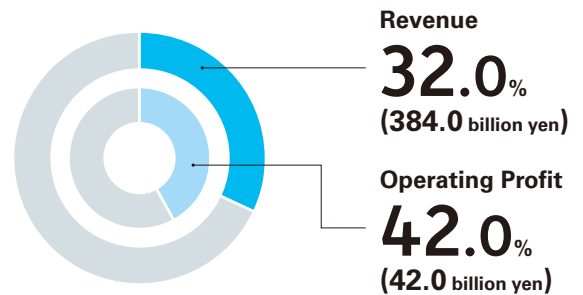
Digital & Industry

In targeting the electronics industry—the key area for society’s rapid digitalization—we intend to construct a new business model that reflects our strengths in industrial gases and chemicals. And by linking it to the semiconductor manufacturing supply chain, we will seek to capture market opportunities for a smart society that is evolving at an accelerated pace. Also, given our aspirations for further growth, we will press ahead with the expansion of our business platform in India and other locations overseas.

terrAWell30 1st stage (2022-2024) Revenue/Operating Profit



FY2024 Revenue and Operating Profit Weightings (as a percentage of company-wide earnings)



Policies and Strategies

1 Strengthening our capacity to provide materials to the electronics industry

- Develop semiconductor and electronics materials by combining the know-how and technologies of the Functional Materials B.U. and Electronics B.U. (previously part of the Chemical and Industrial Gas Businesses, respectively)
- Further the system integration of the equipment/device business to provide high value-added services with enhanced capability to offer mixed proposals

2 Expanding our global business

- Secure new on-site project orders for steelworks in India and build production and logistics infrastructure by way of area-wide site expansion
- Promote sales of highly functional materials to overseas electronics customers

3 Improving profitability in Japan

- Boost sales of mainly highly functional materials and supply equipment primarily by expanding the scale of gas supply to domestic semiconductor manufacturers
- Raise prices of mainly industrial gases and chemical materials to accommodate higher electricity and energy prices
- Meet gas demand by expanding and optimally locating sites, including the securing of argon gas sources

Opportunities (★) / Risks (■)

- Growing electronics-related demand driven by digitalization in society (★)
- Increasing need for development of highly functional materials that help conserve energy consumption (★)
- Rising demand for industrial gases in India for steelmaking and other applications (★)
- Impacts of fluctuating power costs on industrial gas production costs (■)
- Stronger demand for environmentally friendly products owing to the advancement of a circular economy (★)

Strengths

- Wide-ranging lineup of products and services to support the semiconductor manufacturing value chain, including industrial gases, related equipment, and chemical materials
- Stable supply system comprising a decentralized network of manufacturing, storage, and logistics hubs optimally located throughout Japan
- Business stability backed by a high market share in industrial gases, phthalic anhydride, sodium acetate, magnesia for electromagnetic steel sheets, and other products

Business Units



Electronics B.U.

Provides large-scale nitrogen gas supply systems to semiconductor manufacturers, and a wide range of other products to the electronics sector, including specialty gases, chemical materials, gas purifiers, and equipment and components for semiconductor manufacturing equipment.



Functional Materials B.U.

Supports the semiconductor manufacturing value chain with an extensive product lineup, including electronic materials, circuit products, and precision polishing pads; it also meets the broader needs of society by offering featured products in the fields of basic chemicals, functional materials, and food chemistry.



Industrial Gases B.U.

Utilizes a robust supply network linking gas production plants and filling stations nationwide with regional business companies in each region to stably supply oxygen, nitrogen, argon, and various other gases to many different industries.



Global & Engineering B.U.

Operates gas supply businesses in India and Vietnam. In India especially, it manages multiple on-site supply projects to meet fervent demand from the country’s steelworks and has established a dominant position as an industrial gas manufacturer.

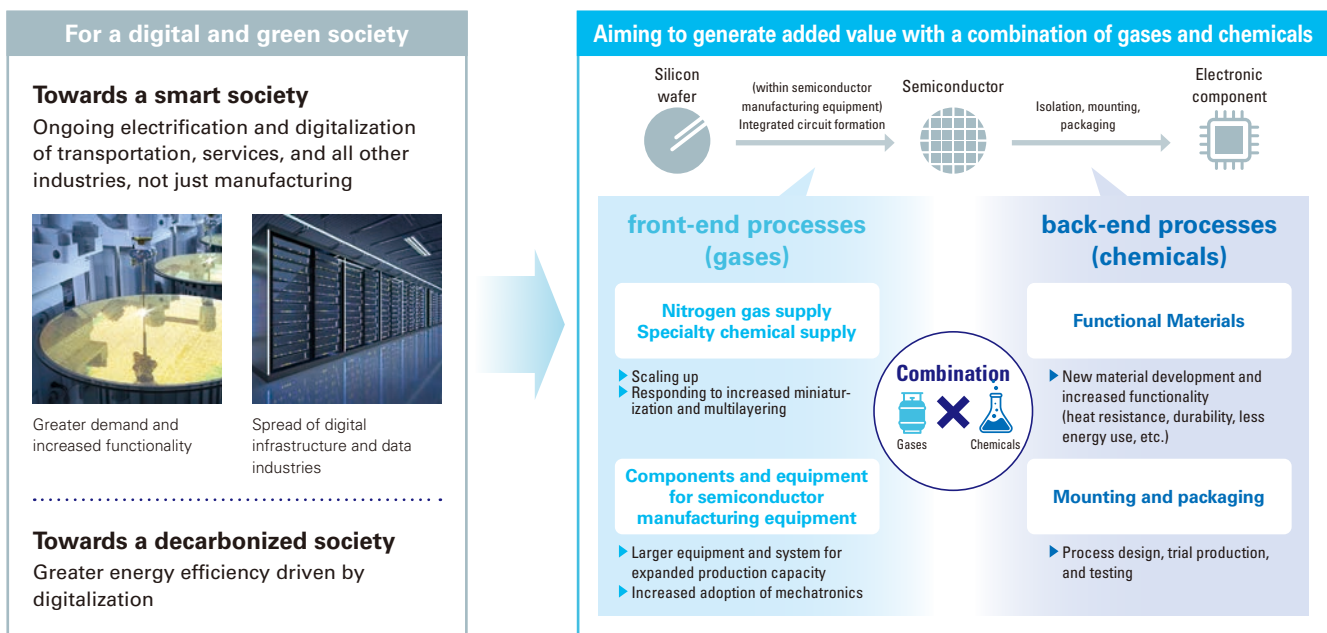
Social Issues to Address

Responding to global structural changes surrounding the semiconductor sector supporting a smart society

The digitalization of all kinds of data and information stemming from the use of information technology is transforming today's socio-economic system. In particular, the production and technological innovations in semiconductors and electronic components that serve as the basis for a smart society are the key elements directly linked to the security of society, and unprecedented industry policies are currently being rolled out in the world. It is in this environment that we must reinforce our competitiveness by objectively responding to the structural changes that are under way, including the struggle for technological supremacy between the US and China, how supply chains react to the outcome of that confrontation, and the trends of investment in Japan's semiconductor industry.

Key Policy

By building a new business model combining the industrial gas business, which widely penetrates into all industries, with the materials development-oriented chemical business and strengthening our development capabilities, we will look to gain a foothold in the semiconductor manufacturing supply chain and open up new markets from two angles: expanded production capacity and increased functionality.



Topics Production plant enlargements in anticipation of a semiconductor market "super cycle"



Gas purifiers for the semiconductor manufacturing process

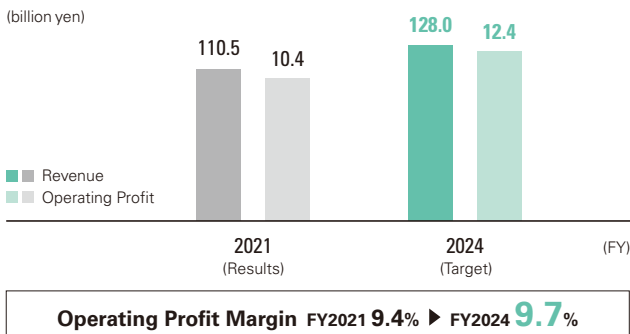
Nihon Dennetsu Co., Ltd., a manufacturer that commands the leading share of the domestic market for industrial heat control equipment, has constructed a new building specially designed for manufacturing heat controllers for semiconductor manufacturers at its headquarters site in Azumino City, Nagano Prefecture. Japan Pionics Co., Ltd. (trade name changed to AirWater Mechatronics Inc. as of January 3, 2023), a manufacturer of gas purifiers and detoxifying equipment indispensable to the semiconductor manufacturing process, has constructed a new building at its headquarters site in Hiratsuka City, Kanagawa Prefecture, thereby augmenting production capacity by 60%. Both companies are stepping up the gas supply business and also expanding into peripheral fields by constructing large-scale on-site plants in anticipation of rapid growth in the semiconductor market.



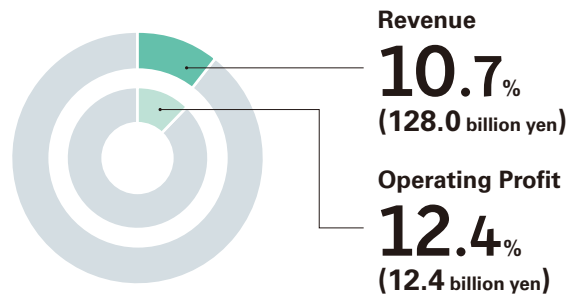
Energy Solutions

Given the rising trend towards a decarbonized society, we will endeavor to transform our business structure from one centered on the sale of LP gas and kerosene to a carbon-neutral energy business. We will also aim to bring about a resource-recycling society by undertaking power generation projects fueled by woody biomass and developing new technologies that fuse together different environmental fields and deploying them in society. For example, supplying carbon-neutral energy derived from biomass whilst capturing and utilizing the CO₂ emissions.

terrAWell30 1st stage (2022-2024) Revenue/Operating Profit



FY2024 Revenue and Operating Profit Weightings (as a percentage of company-wide earnings)



Policies and Strategies

1 Transforming to a carbon-neutral energy business

- Develop businesses to combat climate change, such as CO₂ collection and utilization, biogas, and liquefied biomethane
- Establish a local-production local-consumption resource recycling-oriented energy supply model underpinned by our LPG supply network and industrial gas customer relationships

2 Rolling out a supply system to regulate the supply-demand balance

- Carbon dioxide gas: secure feedstock gas sources
- Hydrogen gas: establish a hydrogen supply chain by deploying VHRs, our high-efficiency hydrogen gas generators

3 Strengthening profitability in existing businesses (mainly LPG and LNG)

- Promote the switch to cleaner fuel sources in support of the decarbonization movement and expand sales of LNG equipment
- Use IoT to make the delivery and filling of LP gas cylinders more efficient
- Roll out life solution businesses utilizing existing sites
- Mitigate the risk of market price volatility mainly by reviewing the procurement of fuel for biomass power generation

Opportunities (★) / Risks (■)

- More carbon-neutral energy proposals and opportunities as the decarbonization movement gathers momentum (★)
- Decreased use of LPG and kerosene due to population decline and global warming (■)
- Lack of successors to run LP gas dealership (★)
- Shortage of carbon dioxide gas feedstock owing to domestic refinery closures or mergers (■)
- Volatility in market prices for fuel for power generation and marine transportation costs (■)

Strengths

- Carbon-neutral technologies, such as CO₂ collection, hydrogen, and LNG accumulated in the industrial gas business and energy business
- Stable supply infrastructure (filling, distribution, and sales) covering 99% of Hokkaido
- Regional business platforms for new business development

Business Units



Energy B.U.

Proposes various energy solutions that contribute to reductions in environmental impact with a view to carbon neutrality; it also operates locally-based life solution businesses, mainly in Hokkaido and East Japan, handling sales of LPG and kerosene and providing housing renovation services.



Resources Recycling B.U.

Manufactures and sells carbon dioxide gas and hydrogen gas and leverages the business platforms and know-how thereof to proactively develop low-carbon and carbon-free technologies, including CO₂ collection, hydrogen energy, and LNG, with the aim of establishing new business models.

Social Issues to Address

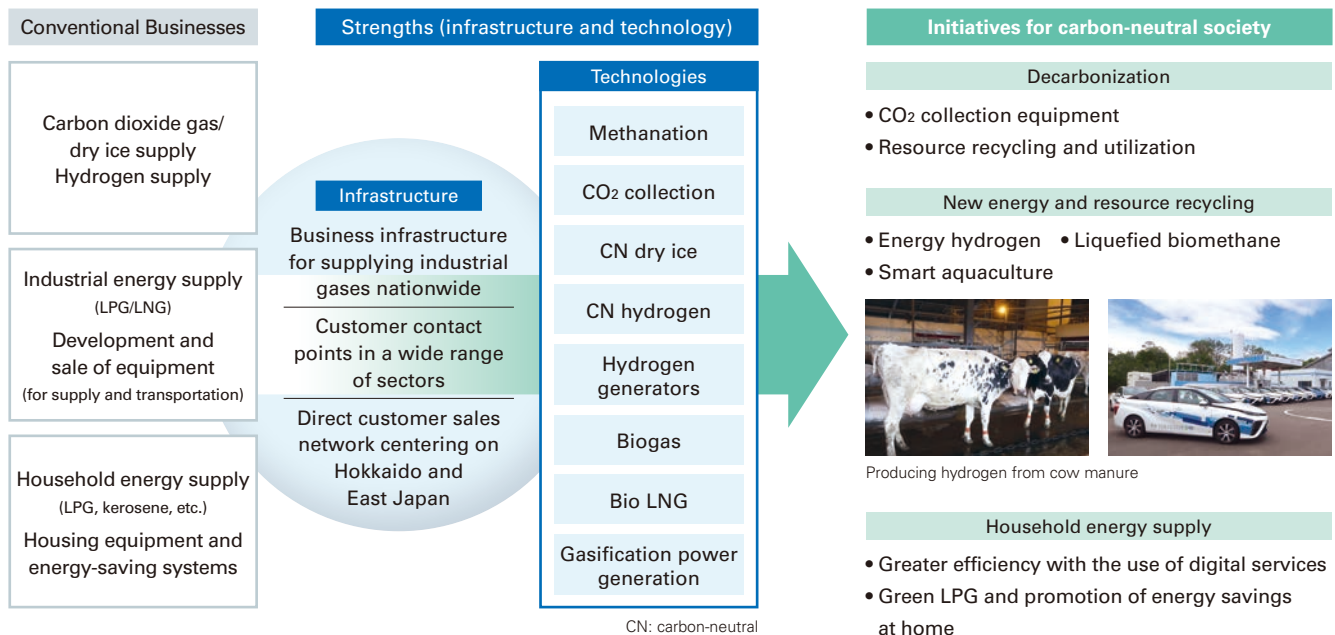
Towards the realization of carbon neutrality by 2050

The impending crisis of global warming is mounting year after year and society at large is accelerating the push towards decarbonization, reflected in the Japanese government's commitment to achieving carbon neutrality by the year 2050. We are therefore obligated to further our efforts on decarbonization by developing innovations in manufacturing processes and other technologies such as CCUS*/carbon recycling based on the concrete action plans for each industry set out in the government's Green Growth Strategy for realizing a virtuous cycle between the economy and the environment. We will also need to work on lowering the costs of these technologies with a view to their implementation in society.

*Carbon dioxide capture, utilization, and storage

Key Policy

In light of the decarbonization movement sweeping the world, we have sought to reposition our longstanding hydrogen and carbon dioxide gas businesses within the framework of energy and resource recycling. We will push ahead with the development of carbon-neutral technologies that contribute to less, or zero, carbon emissions and work on deploying them in society at the earliest possible time. Such technologies include the supply of biogas, methane gas, and hydrogen, as well as the capture and utilization of CO₂ emissions.



Topics Development of technologies for the realization of a decarbonized and resource-recycling society

As one initiative for contributing to the realization of a decarbonized society, we developed a small-sized CO₂ collection and utilization system called the ReCO₂ STATION. It can recover low concentrations of CO₂ in exhaust gases emitted from small and medium-sized plants, such as boilers and industrial furnaces, and its best feature is being able to utilize the CO₂ to produce dry ice. In the energy unit, Air Water was the first company in Japan to manufacture liquefied biomethane using biogas sourced from cattle manure in the Tokachi region of Hokkaido. We also conducted a feasibility project to see whether it could be used as an alternative fuel to LNG. We delivered our first shipment in October 2022 to Yotsuba Milk Products Co., Ltd., who used the liquefied biomethane as a boiler fuel.



CO₂ collection and dry ice production system



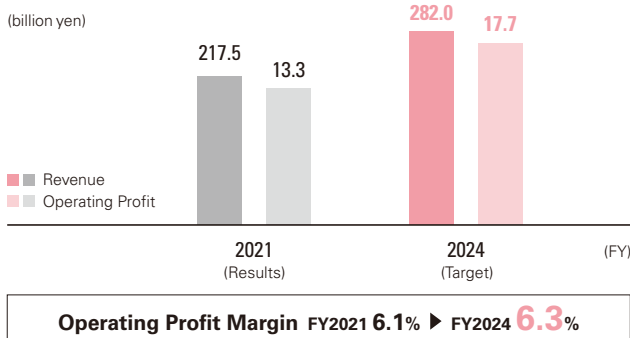
Liquefied biomethane production plant



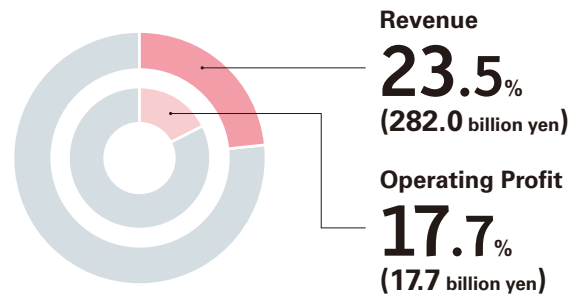
Health & Safety

This business started out by providing medical oxygen, but it now provides on-site support to medical institutions with such products and services as the construction of hospital facilities, contracted outsourcing of hospital services, and the maintenance of facilities and equipment. It also contributes to health and safety in people's lives with dental and sanitary products, hypodermic needles, home medical care, aerosol products, and even a safety services business.

terrAWell30 1st stage (2022-2024) Revenue/Operating Profit



FY2024 Revenue and Operating Profit Weightings (as a percentage of company-wide earnings)



Policies and Strategies

1 Expanding oral care and home medical care fields

- Increase share of new oxygen concentrators
- Create new services in the remote (home) rehabilitation business
- Expand sales of dental materials

2 Deepening existing businesses

- Take on new projects for medical services (SPD/sterilization) in step with growing outsourcing demand
- Meet growing demand from data centers and logistics depots for gas-based fire extinguishers in the safety services business
- Streamline operations by consolidating and restructuring sites and Group companies

3 Strengthening consumer health

- Expand contract manufacturing of cosmetics
- Increase overseas sales of beauty and dental needles
- Strengthen profitability through productivity improvements

Opportunities (★) / Risks (■)

- Curbing of healthcare costs in Japan (■)
- Heightened need for more advanced medical equipment at medical institutions and more efficient hospital operations (★)
- Advancements in digital transformation in healthcare (★)
- Growing demand for community-based comprehensive care and home medical care (★)
- Greater need for nursing care and preventive medicine (★)

Strengths

- Comprehensive strengths in various business domains, ranging from acute medical care to wellness and oral care
- Stable medical gas supply system based on an infrastructure network comprising mainly VSUs and filling stations
- Revenue base consisting of businesses in which we boast a high market share, including medical gas and hospital facility construction
- Patient contact points established through home oxygen therapy
- Proprietary technologies in the field of advanced medicine, including dental pulp regeneration therapy

Business Units



Medical Services B.U.

Provides outsourcing services that support more efficient hospital management and operations, including supply, processing and distribution (SPD) services and the sterilization and disinfection of medical equipment.



Consumer Health B.U.

Provides infection prevention products, oral care products, and other sanitary products, as well as high-quality Japanese-manufactured dental and beauty needles; it also provides an OEM supply of aerosols and liquid-filled products for a wide range of industry applications, such as cosmetics, insecticides, paint, and automobile supplies.



Medical Products B.U.

Supports the lives of patients by stably supplying medical gas, provides a home medical care service with the use of cutting-edge medical equipment and home oxygen therapy, and also operates a dental materials business.



Safety Services B.U.

Operates an end-to-end hospital equipment business that handles the design, construction, and maintenance of medical gas piping, operating rooms, and intensive care units, as well as a safety services business that installs mainly gas-based fire extinguishing systems at data centers and other facilities where water cannot be used.

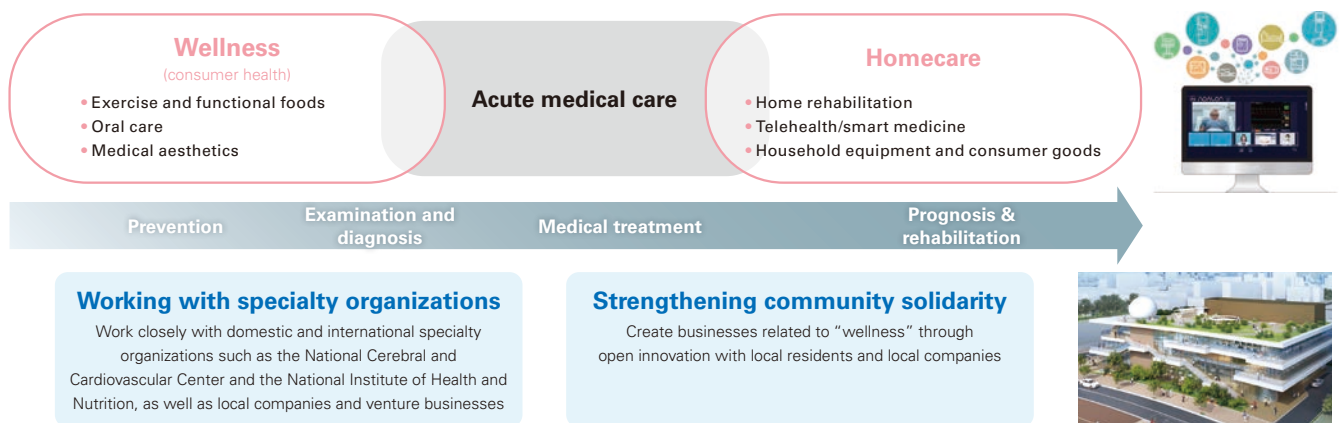
Social Issues to Address

Contributing to community-based comprehensive care for Japan's super-aged society

In Japan's super-aged society, people of 65 years old or older make up 29.1% of the total population and this percentage will only continue to increase going forward. Given the serious issue of rising healthcare costs, the Ministry of Health, Labour and Welfare is advocating for a community-based comprehensive care system as the best way to deliver home medical care. This concept aims to unite communities with a view to the participation of the elderly in society. We are therefore required to contribute to the establishment of a community-based system to provide comprehensive support and services so that senior citizens can live out their twilight years with dignity in familiar surroundings as much as possible.

Key Policy

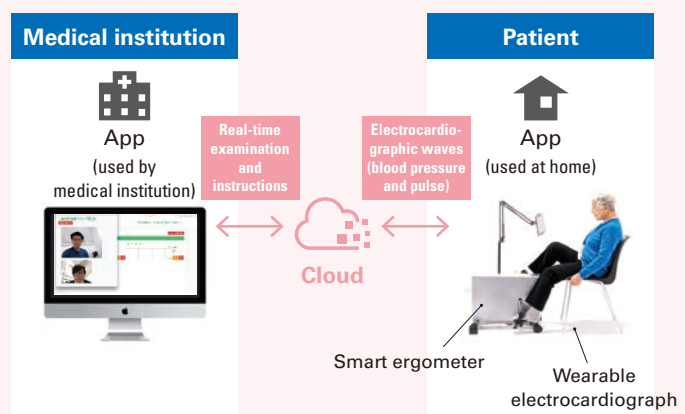
Not only will we focus on providing and maintaining the hospital healthcare systems needed in the community, but we will also utilize the business networks that we have developed in the home medical care and dentistry businesses to expand the "homecare" field as well as "wellness" field centering on oral health. To address issues in this so-called "age of 100-year life," we will seek to broaden our business domains, from preventive medicine right through to rehabilitation services, and help bring about an ideal society by working closely with specialty organizations and developing such technologies as telehealth and video equipment.



Topics Incorporation of telehealth and home medical care startup firm Remohab into the Group

In March 2022, we welcomed cardiac-focused telehealth and home medical care startup company Remohab Inc. into the Air Water Group. The company was founded in 2017 by CEO Tatsunori Taniguchi, a cardiovascular specialist. It is currently developing an online-managed heart rehabilitation system with which heart disease patients can perform rehabilitation exercises at home under remote monitoring. Physician-led clinical trials are currently underway with a view to practical implementation in fiscal 2024. Hospitals can monitor their patients in real time with an app that collects biological data from a wearable electrocardiograph and IoT-compatible exercise bike. The incorporation of Remohab into the Air Water Group means we can gain entry to the remote communications technology-driven rehabilitation field and further expand our home medical care business.

Conceptual image of system

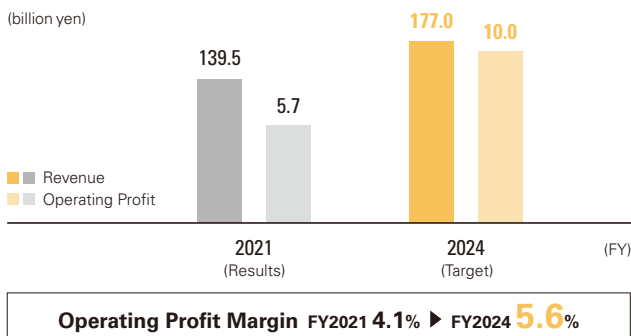




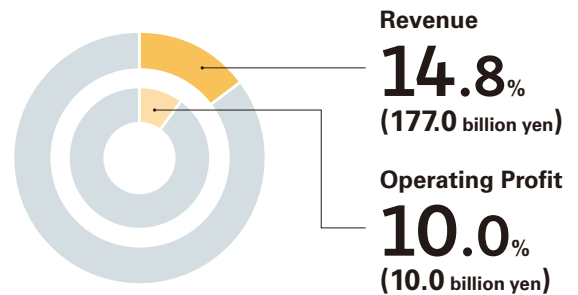
Agriculture & Foods

This business started with frozen food products manufactured with the use of liquefied nitrogen. We now offer a broad lineup of reliable and safe food products for commercial use in hotels and restaurants, as well as for sale at supermarkets and the like. Some of our products include processed vegetables, ham and deli foods, and confectionery. We also boast expertise in fruit- and vegetable-based beverages and we therefore operate a business engaged in the contract production of customer-specified beverages, as well as a vegetable retail business.

terrAWell30 1st stage (2022-2024) Revenue/Operating Profit



FY2024 Revenue and Operating Profit Weightings (as a percentage of company-wide earnings)



Policies and Strategies

1 Establishing a value chain centering on agricultural produce

- Provide high added-value food by capitalizing on the advantage of having a business foundation in Hokkaido, Japan's food production base
- Reinforce processing and distribution functions to get Hokkaido brand farm products into the hands of consumers
- Strengthen raw ingredient procurement capabilities mainly by decentralizing our producing regions and developing new crops
- Reduce food loss with more sophisticated processing technology and develop IoT-driven smart farming practices

2 Providing products to meet food demand and solve issues

- Expand sales of ready-made food products for consumption at home
- Respond to the environmental needs of customers mainly by expanding recyclable and paper container lines
- Undertake contract production of plant-based milks and other health-conscious products

3 Strengthening profitability

- Streamline operations by reorganizing Group companies and optimizing production sites
- Lower logistics costs by harnessing the Group's distribution infrastructure
- Revise prices to keep up with rising prices of raw ingredients

Opportunities (★) / Risks (■)

- Changes in food perceptions among consumers (health-conscious diets and demand for convenience) (★)
- Stagnation in the restaurant industry and stronger demand for at-home meals as a result of the COVID-19 pandemic (★■)
- Labor shortages in the agricultural sector due to population aging and other factors (★■)
- Procurement shortages and price fluctuations in ingredient vegetables as a result of unseasonable weather (■)
- Fluctuations in costs of raw materials and logistics (■)

Strengths

- Product development capabilities and production/processing technologies in mainly agricultural produce, livestock products, and confectionery
- Value chain encompassing everything from cultivation to procurement, processing, logistics, and retail
- Ability to purchase a stable source of ingredient vegetables under farming contracts with producers
- Food logistics functions within the Air Water Group
- Effective utilization of the Hokkaido brand where contracted farming regions and processing facilities are concentrated

Business Units



Foods B.U.

Operates a ham and deli foods business to supply uncured ham, bacon, sausages, and other high-quality meat products, along with ready-made dishes and frozen foods, for commercial use in hotels and restaurants and for sale at supermarkets and the like; it also operates a confectionery business to supply chilled desserts to supermarkets and convenience stores.



Natural Foods B.U.

Has strengths in fruit- and vegetable-based beverages and operates a business primarily engaged in OEM contract production of customized beverages for beverage manufacturers; it also has juicing and other technologies for processing agricultural produce, as well as a production line for making various packaging containers, including PET bottles and paper-based containers.



Agriculture B.U.

Supplies processed and frozen vegetables mainly from Hokkaido, such as pumpkin and Japanese radish, to customers nationwide, and also manufactures and sells agricultural machinery; in 2021 it brought Plus Co., Ltd. into the Group, an operator of direct market "Yottette" in the Kansai region for agricultural produce.

Social Issues to Address

Reducing food loss and stabilizing food self-sufficiency

In Japan, an enormous amount of still-edible food (5.7 million tons in total) is wastefully disposed of every year, a phenomenon known as “food loss.” At the same time, Japan’s food self-sufficiency rate (on a calorie basis) as of 2021 had dropped to 38% compared to 78% recorded in 1961. The reality of the situation is that Japan relies heavily on overseas markets for much of its food supply and the international situation of late has only served to exacerbate the serious issue of food security. From a long-term perspective too, fears of a global food shortage are being fueled by population growth and abnormal weather caused by rising temperatures.

Key Policy

We are currently developing a new agriculture business—a combination of the procurement, processing, and sales value chain for agricultural produce and our high value-added logistics network covering all of Japan. We are investing mainly in logistics infrastructure for fruits and vegetables, food processing, and the direct produce business in order to enhance the added value of green goods, from production area to the point of consumption. With these initiatives, we will also aim to promote local agriculture mainly through sales channel expansions and help reduce food loss primarily by minimizing the disposal of produce that fails to meet market standards.



Strengthen logistics functions, develop new sales channels

- Establish a logistics system that enables timely collection, transportation, sorting, and storage, especially in Hokkaido
- Collaborate with regional business companies to open stores in the direct produce business



Enhanced processing functions

- Strengthen agricultural procurement capabilities based on processing use
- Timely respond to customer needs with processing in

Contribution to Wellness

- Create new business by combining healthy food and home delivery business

Topics Full-fledged entry into household frozen food market Frozen desserts and other items selected by hotel and restaurant chefs

With demand for meals changing drastically as a result of the COVID-19 pandemic, we are currently focusing more of our resources on developing such products as ready-made dishes and items that can be delivered to homes, instead of our product lineup mainly for commercial use in hotels and restaurants. We are enhancing the range of CHEFLLY-branded products, the concept of which is about providing restaurant flavors to people at home, and we are endeavoring to improve the recognition of the brand among ordinary households with distinctive products in anticipation of market needs. Up ahead, we will look to generate synergies in the areas of manufacturing, development, and sales by bringing together the food production technologies and know-how honed at our Group companies and the agricultural fields in which we possess strong relationships with producers forged through contract farming and the procurement of ingredient vegetables.



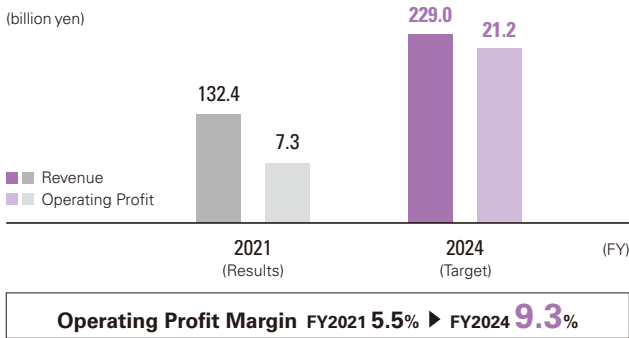
Products under the CHEFLLY brand



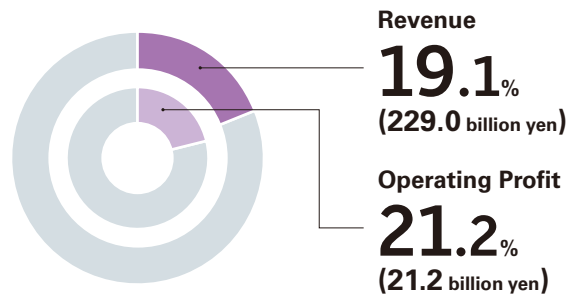
Other

In other businesses, we have a presence in the logistics field, including food logistics and general cargo and container transportation, while our Group company Nihonkaisui Co., Ltd. commands the largest share of the domestic salt market in terms of production and supply volume. We also operate various other businesses: for example, we have an industrial gas-related engineering venture in North America, as well as a business selling high-power UPS (uninterruptible power supply) equipment used in facilities such as data centers.

terrAWell30 1st stage (2022-2024) Revenue/Operating Profit



FY2024 Revenue and Operating Profit Weightings (as a percentage of company-wide earnings)



Policies and Strategies

1 Reinforcing the foundation of the logistics business

- Establish a cold chain with the development of a trunk line transportation network
- Promote efficiency in business operations with the use of IoT

2 Strengthening the stable earnings structure at Nihonkaisui

- Strengthen profitability of existing businesses, including salt manufacturing, mainly by raising prices
- Expand the urban infrastructure business, primarily by upgrading sewer pipes
- Mitigate the risk of market price volatility by increasing the weighting of domestic materials for biomass power generation and reviewing procurement

3 Expanding the industrial gases business in North America and high-power UPS business

- Establish a gas production and sales base in North America to serve as a business foundation and also strengthen hydrogen and other decarbonization-related businesses
- Develop high-power UPS products with greater environmental performance to meet growing data center demand

Opportunities (★) / Risks (■)

Logistics

- Higher volume of freight handling owing to growth in e-commerce transactions and recycling demand (★)
- Labor shortages in the logistics industry (★ ■)

Nihonkaisui Co., Ltd.

- Growing demand for upgrades to water and sewage systems and other social infrastructure (★)
- Volatility in market prices for fuel for power generation and marine transportation costs (■)

Industrial Gases in North America and High-Power UPS

- Increased demand for hydrogen and carbon dioxide gas equipment to support decarbonization efforts (★)
- Stronger demand from capacity expansion at data centers and semiconductor plants (★)

Strengths

- Nationwide in-house logistics network
- Diverse lineup of logistics services, including container transport, 3PL, logistics for medical and environmental items, and vehicle body manufacturing
- High domestic market share of industrial salt
- Stable earnings structure underpinned by a diverse business portfolio derived from salt manufacturing
- Low-temperature equipment production system (North America and Malaysia) and technological capabilities in plant engineering
- High share of the rotary-type UPS market and a global maintenance system

Business Units



Logistics

Operates a broad range of businesses, such as low-temperature food logistics and medical logistics for transporting blood (plasma) by utilizing low-temperature management and transportation technology. It also engages in general cargo and container transportation, as well as designing and modifying truck bodies and the like.



Nihonkaisui Co., Ltd.

Manufactures and sells industrial and household salt for which it boasts the leading market share and also handles environmental products such as magnesium hydroxide (a salt byproduct) and water treatment adsorbents, as well as water treatment and sewage equipment.



Industrial Gases in North America and High-Power UPS

Manufactures and sells industrial gas equipment for mainly hydrogen and carbon dioxide gas in North American markets, and also operates an engineering business; it also supplies high-power UPS equipment indispensable to data centers and semiconductor plants.

03

ESG

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Environment

Working toward creating a decarbonized society, a resource recycling society, and a society in which humanity and nature coexist



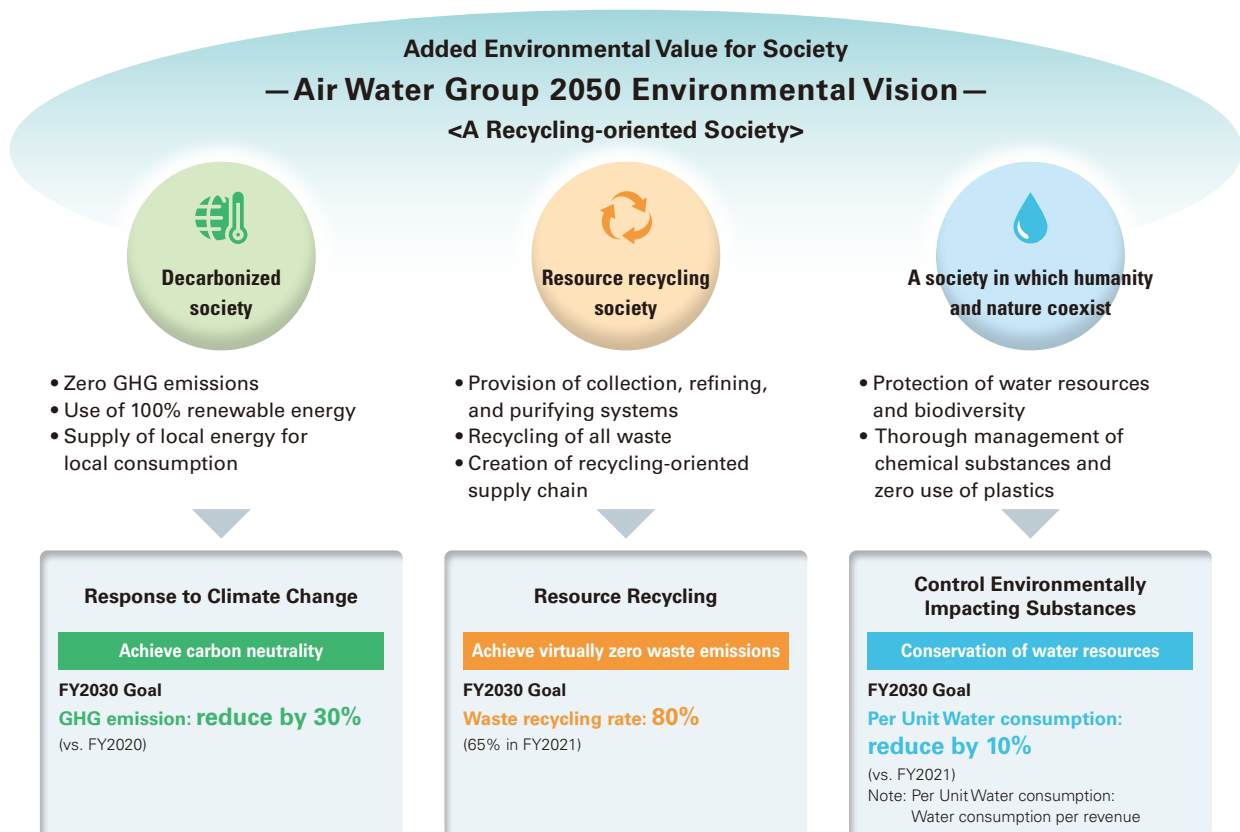
Yukimasa Takeuchi
Corporate Planning Office
Sustainable Business
Development Group Leader

Our company name “Air Water” stems from the nature of our business, which is to produce gas, salt, and other essential products for industry and daily life from air and seawater, which are nature’s blessings, and to provide these products to society in

a stable manner. Accordingly, we believe that our business needs to be sustainable, with zero environmental impact, and we have been working to reduce our environmental impact to date.

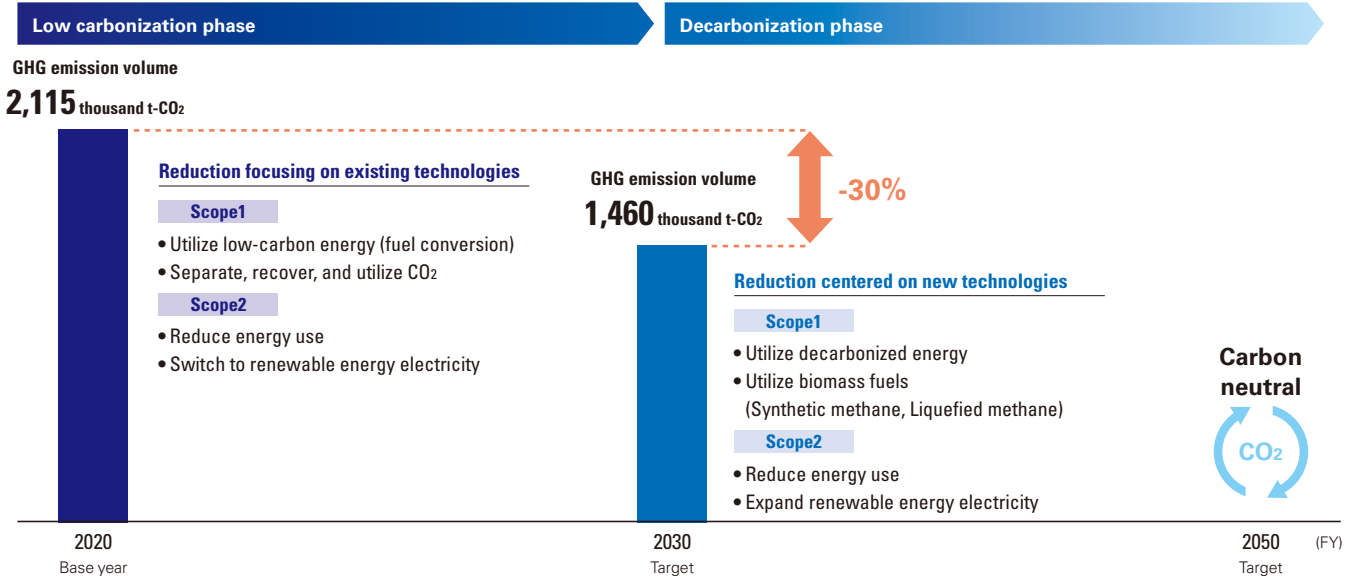
In recent years, the prevailing view has become that in order for companies to grow sustainably, they should focus not only on immediate environmental issues, but also on long-term environmental challenges. As a result, we are seeing a shift in economic and social activities from a resource-consuming linear economy to a resource-recycling circular economy. The Air Water Group 2050 Environmental Vision is an extension of this aimed at creating a decarbonized society, a resource recycling society, and a society in which humanity and nature coexist.

To achieve zero environmental impact from our own business activities by 2050, we have established KPI targets to be achieved by 2030 as milestones, and will further strengthen our decarbonization, climate change, and other initiatives. At the same time, we will promote efforts to contribute to society through our business activities, with a focus on the “Global Environment,” which we have set as a growth axis for our diverse business domains, in order to achieve our “terrAWell30” plan.



Decarbonized Society

With the establishment of the AirWater Group 2050 Environmental Vision, we aim to achieve carbon neutrality by 2050 and have revised our GHG emissions*¹ reduction target for fiscal 2030, which is a milestone for achieving this goal. The newly set target is a 30% reduction in GHG emissions in fiscal 2030 (compared to fiscal 2020) based on GHG Protocol*² calculations, and we will make Group-wide efforts to create a decarbonized society.



*1 Of the GHG emissions, this covers energy-derived CO₂ emissions of consolidated subsidiaries in Japan (Scope 1 and 2).

*2 The GHG Protocol is an international standard for calculating and reporting greenhouse gas (GHG) emissions. GHG emissions data is published on our website.

Major Sustainability Data
<https://www.awi.co.jp/en/sustainability/data.html>

Disclosure based on the TCFD framework

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

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



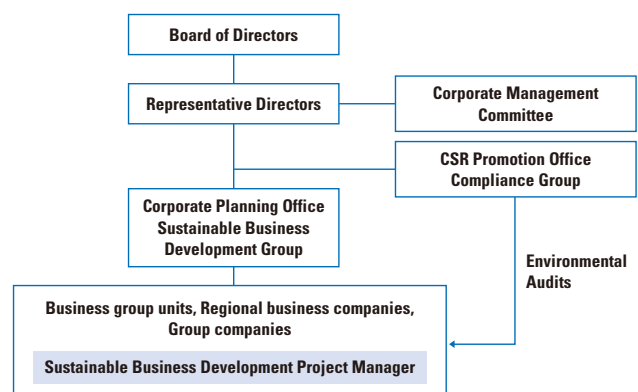
Disclosure item 1 Governance

We believe that addressing climate change is one of our most important management issues and have established the Corporate Planning Office Sustainable Business Development Group as the department responsible for overseeing matters related to climate change. This office has drafted and implemented a variety of measures related to the Group's response to climate change, and is also responsible for disseminating climate change response initiatives within the Group and confirming the progress of each measure. In addition, we have also established a system in which each business group unit and Group company has a sustainable business development project 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 deliberated by the Corporate Management Committee, which is composed of internal directors and the heads of each business

division, after which the Board of Directors determines basic policies and periodically (once a year) receives reports to ensure that the Board of Directors can provide appropriate supervision.

Governance Organization Chart for Climate Change Issues



Disclosure item 2 Strategy

As part of our medium- to long-term strategy to achieve carbon neutrality by 2050, each of our business divisions has formulated a roadmap through fiscal 2030. In creating the roadmap, we identified climate-related risks and opportunities in each of our business divisions, and Corporate Planning Office Sustainable Business Development Group took the lead in examining the significance of these risks and opportunities for the Group as a whole.

As a result, the main transition risk is an increase in operating costs stemming from higher environmental tax or the introduction of a carbon tax. However, if we achieve our target of reducing emissions by 30% from fiscal 2020 levels by 2030, we believe that the impact of higher costs associated with carbon prices can be contained.

In addition, major physical risks include higher risk of damage to manufacturing sites caused by extreme weather events and loss of sales opportunities due to operational shutdowns, and higher logistics costs and loss of sales opportunities caused by logistics delays stemming from roads being inaccessible. We will continue to manage physical risks by incorporating them into our risk management system, under which our business continuity plan (BCP) is considered on a company-wide basis.

On the other hand, opportunities include the growing demand

for products and services that respond to market needs and social issues related to climate change. Under these circumstances, we will work to expand and create new businesses that contribute to decarbonization, focusing on technology for capturing CO₂ from exhaust gas and developing bio-green technologies such as liquefied biomethane from unused resources in local communities.

■ Scenario analysis for climate change

In fiscal 2021, we examined the Industrial Gas Business and the Agriculture and Food Products Business (beverages business), which are larger businesses in our diverse business portfolio and likely to be greatly affected by climate change risk, using the 4°C scenario as well as the 1.5°C and 2°C scenario for average rise in global temperatures.

The scenario analyses show that although there are more business opportunities in the 1.5°C and 2°C scenario, we also expect to secure and increase adequate response measures and opportunities in the 4°C scenario, and we believe that we are adequately resilient against an uncertain long-term future. We will review these scenario analyses annually. In addition, during fiscal 2022, we will expand the scope of these analyses to include all business groups of the Air Water Group and perform the analyses accordingly.

Scenario Analyses for Industrial Gas Business and Agriculture and Food Products Business (Beverages Business)

			Environmental change	Risks	Opportunities (★) and responses (■)
Industrial gas business	1.5°C / 2°C scenario	Transition risks	Strengthening of policies and laws and regulations	<ul style="list-style-type: none"> • Increase in energy and logistics costs due to higher environmental tax, introduction of carbon tax, and higher levy on renewable energy, etc. 	<ul style="list-style-type: none"> ■ Investment in energy-saving equipment such as a highly efficient gas manufacturing plant ■ Formulation and implementation of price policy associated with increases in energy and logistics costs ■ Expansion of renewable energy utilization ★ Capturing opportunities to sell industrial gas using renewable energy sources
			Decarbonization	<ul style="list-style-type: none"> • Loss of business opportunities due to delays in the development of low-carbon and decarbonization technologies, etc. • Reduction in oxygen gas consumption due to switch to hydrogen reduction steelmaking process 	<ul style="list-style-type: none"> ★ Increase in sales opportunities from development of methanation-ready CO₂ capture and purification technology and higher demand for gas and chemical materials and equipment for semiconductors ★ Growing demand for hydrogen gas for steel making
	4°C scenario	Physical risks	Rise in temperature	<ul style="list-style-type: none"> • Increase in manufacturing costs due to higher electricity consumption for air compression and shortage of cooling water caused by higher air temperatures 	<ul style="list-style-type: none"> ■ Investing into energy-saving equipment and changing from water-cooled to air-cooled cooling systems in areas lacking the necessary water supply at highly efficient gas manufacturing plants and other facilities
			Extreme weather events such as typhoons and torrential rains	<ul style="list-style-type: none"> • Higher risk of damage and operational shutdown of manufacturing sites, increase in logistics costs, and social impact especially in case of prolonged stagnation of oxygen gas supply for medical use 	<ul style="list-style-type: none"> ■ Nationwide deployment of highly efficient and compact liquefied oxygen/nitrogen co-production plant VSU ★ Increase in sales opportunities through decentralized gas supply network ■ Enhanced resilience through medical oxygen gas supply system and home oxygen service system
Agriculture and food products business (beverages business)	1.5°C / 2°C scenario	Transition risks	Strengthening of policies and laws and regulations	<ul style="list-style-type: none"> • Increase in energy and logistics costs due to higher environmental tax, introduction of carbon tax, etc. 	<ul style="list-style-type: none"> ■ Conversion of manufacturing equipment into energy-saving equipment, investment in energy-saving equipment, and promotion of renewable energy
			Decarbonization	<ul style="list-style-type: none"> • Increase in manufacturing cost due to shift from plastic containers to alternatives and loss of sales opportunities when such a shift is difficult to carry out 	<ul style="list-style-type: none"> ★ Increase in sales opportunities for beverage products using sustainable containers made of recycled materials, biomass, or FSC-certified paper
	4°C scenario	Physical risks	Rise in temperature	<ul style="list-style-type: none"> • Lost sales opportunities in the event of failure to develop products that address climate change 	<ul style="list-style-type: none"> ★ Increase in sales opportunities through gaining the trust of customers or consumers by developing beverage products responsive to climate change
			Extreme weather events such as typhoons and torrential rains	<ul style="list-style-type: none"> • Decrease in harvest volume in raw material producing areas due to soil degradation, deterioration of water quality, etc., and increase in raw material procurement costs and loss of sales opportunities due to shifts in raw material producing areas • Higher risk of damage and operational shutdown of manufacturing sites, increase in logistics costs 	<ul style="list-style-type: none"> ■ Decentralization of production sites and raw material producing areas and diversification of raw material suppliers ■ Techniques of growing raw materials responsive to climate change and stable procurement of raw materials with the establishment of smart agriculture ★ Development of beverage products based on raw materials resistant to climate change and those responsive to climate change, and increase in sales opportunities

Assumptions

- The 1.5°C and 2°C scenario focuses on transition risks resulting from technological innovation and tighter regulations to curb global warming, and changes in society
- The 4°C scenario focuses on the physical risks of extreme weather events without adequate global warming prevention

Disclosure item 3 Risk management

In the Air Water Group's risk management system, Corporate Planning Office Sustainable Business Development Group is in charge of climate-related risks and is integrated into the company-wide risk management process by presenting and reporting important risks to the Corporate Management Committee and the Board of Directors.

Business groups, units, and Group companies extract and examine climate-related 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, and manage climate-related risks by managing the progress of these plans.

Disclosure item 4 Indicators and goals

Greenhouse gas (GHG) emissions

In order to measure and manage climate-related risks and opportunities, the Air Water Group has been calculating greenhouse gas (GHG) emissions (Scope 1, 2, and 3) in accordance with the GHG Protocol since fiscal 2020.

Further, we also calculated CO₂ emissions according to the conventional calculation standards based on the Act on Rationalizing Energy Use and the Act on the Promotion of Global Warming Countermeasures until fiscal 2021 in order to manage the CO₂ emission reduction targets we established in fiscal 2019.

CO₂ emission reductions progress (FY2021 results)

In fiscal 2021, CO₂ emissions increased by 190,000 t-CO₂ compared to fiscal 2020 owing to the recovery of production activities at 34 Group companies including Air Water, which are designated as specified business operators under the Act on Rationalizing Energy Use, following a decline in production activities caused by the COVID-19 pandemic.

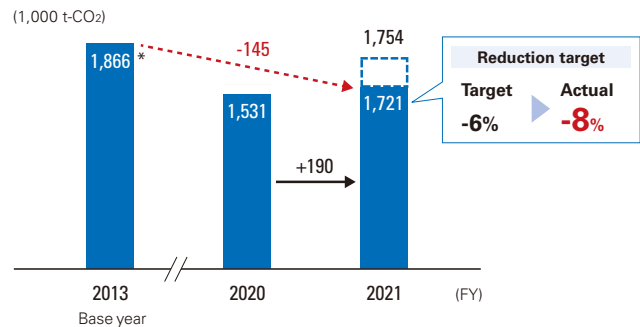
On the other hand, in response to our target of reducing

CO₂ emissions by 6% in fiscal 2021 compared to fiscal 2013, which was set in fiscal 2019 in accordance with the Act on Rationalizing Energy Use and the Act on the Promotion of Global Warming Countermeasures, we achieved an 8% reduction (145,000 t-CO₂) in fiscal 2021 compared to fiscal 2013 by streamlining production, which exceeded our initial target.

GHG Emissions by Scope (FY2021)

Item	GHG Emissions (1,000 t-CO ₂)
Scope 1: Energy-derived CO ₂ emissions (domestic and overseas)	714
Scope 1: Emissions of 6.5 types of gases (non-energy-derived CO ₂ , methane, N ₂ O, etc.)	350
Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by other companies (domestic and overseas)	2,377
(Scope 1 + Scope 2 total)	3,441
GHG emissions intensity (CO ₂ emissions / consolidated revenue)	3.87t-CO ₂ /million
Scope 3: Indirect emissions other than Scope 1 and Scope 2	5,218

CO₂ Emissions Reduction Results



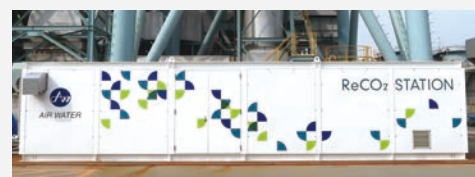
*Figures for CO₂ emissions in fiscal 2013 were recalculated to eliminate the impact of the revision of the emission coefficient, which has been implemented since fiscal 2020. Scope of collection: Companies classified as specified business operators under the Act on Rationalizing Energy Use (Air Water and 33 Group companies [34 companies in total])

Topics Development of ReCO₂ STATION, a highly efficient and small-sized CO₂ collection and dry ice production system

We are focusing on developing technologies to capture and effectively utilize CO₂ (CCUS) by leveraging our long-accumulated gas production and engineering technologies and our expertise as a manufacturer of carbon dioxide gas and dry ice.

Against this backdrop, we have developed the ReCO₂ STATION, a CO₂ collection system that incorporates our proprietary adsorption and separation technology. This system is highly efficient in recovering CO₂ from low-concentration (about 10% CO₂ concentration) combustion waste gas, and can be used for general factory combustion waste gas. Furthermore, this system has a dry ice production feature built in, and can produce dry ice using the recovered CO₂ as a raw material.

Going forward, we will actively propose the introduction of this system as a solution for reducing CO₂ emissions to customers who are working toward carbon neutrality, and will also explore the possibility of using this system installed at multiple customer sites as a supply source for carbon dioxide gas and dry ice. In the future, we aim to build a model for the local recovery of CO₂ for local utilization by leveraging our CO₂ recovery technology and carbon dioxide gas supply network to provide value that only an industrial gas manufacturer can offer.





Resource Recycling Society

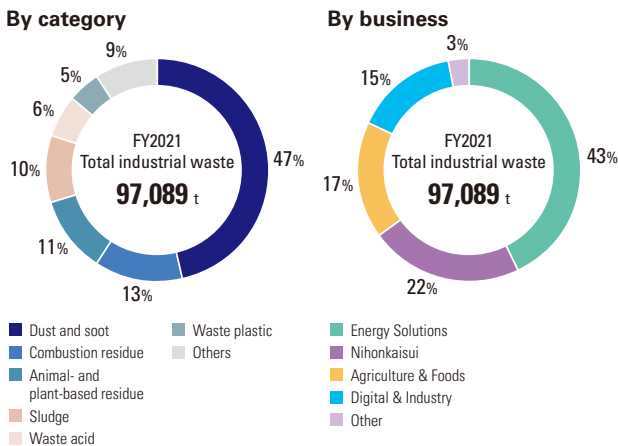
Industrial waste

We aim to create a supply chain that recycles resources by eliminating waste, promoting reuse, and recycling waste.

With the formulation of terrAWell30, the Air Water Group has set a waste recycling rate target for fiscal 2030. We aim to increase the recycling rate from 65% in fiscal 2021 to 80% in fiscal 2030, and take this even further to 100% by 2050.

Industrial waste

At the Air Water Group, when looking at industrial waste by category, we release a large amount of dust, soot, and sludge from the treatment of wastewater in our biomass power generation business under the Energy Solutions segment, and a large amount of animal- and plant-based residue from the Agriculture & Foods segment.



A Society in Which Humanity and Nature Coexist

Through the conservation of water resources and the elimination of plastics, we will work to both eliminate our environmental impact and protect biodiversity.

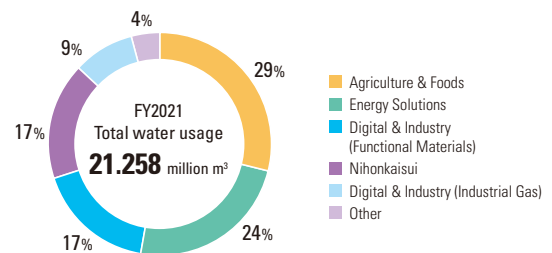
Water resources

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. With the formulation of terrAWell30, we established a water consumption intensity* target for fiscal 2030. We aim to reduce water consumption by 10% in fiscal 2030 compared to fiscal 2021 (37 m³ / million yen) by recovering 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.

*Freshwater use per revenue

Water usage by business (freshwater)

The Air Water Group uses water resources (fresh water) mainly as raw materials in the production of soft drinks and as cooling water for production equipment and power generation equipment. In addition to recycling water resources within the process, we analyze water after use to ensure that there are no problems with the water environment before discharging it.



Topics Helping to reduce food waste by converting pumpkin seeds and pulp into animal feed

Making effective use of food waste is an important issue for the Air Water Group, which is engaged in the food processing business.

Air Water Logistics Co., Ltd. has launched a full-scale eco-feed business, flaking pumpkin processing residues, which are often handled by the Group's food factories, and supplying them mainly to livestock farmers as cattle feed. Food waste generated within the Group is effectively used as natural plant-derived feed additives.

Going forward, we will work to develop feed made from residues other than pumpkin seeds and pulp to help reduce waste.



Topics Zero—plastic initiatives in the beverages business

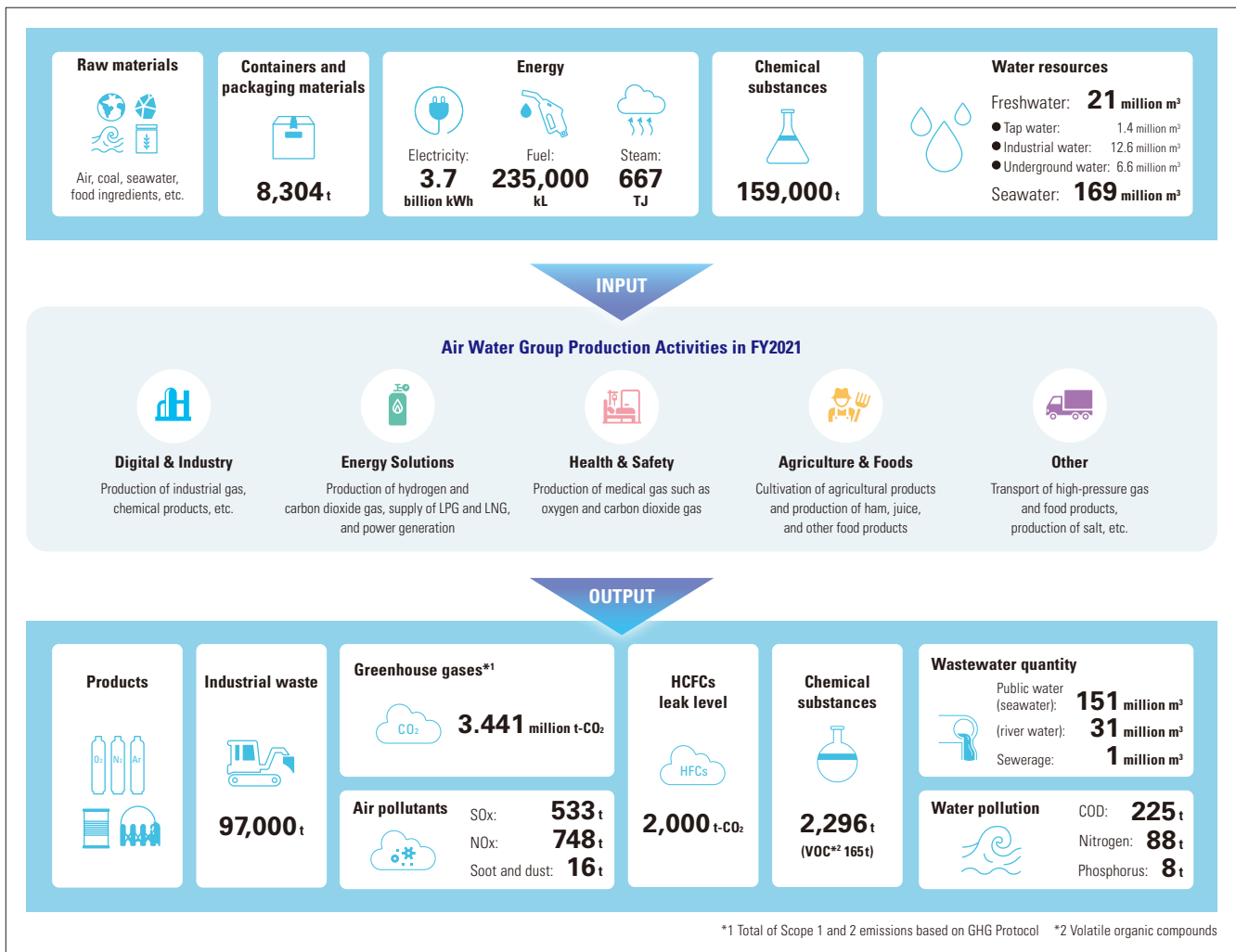
As the shift away from plastics accelerates, paper containers are attracting attention as an alternative for plastic bottles. Gold-Pak Co., Ltd. which operates our beverages business, began selling Azumino Mineral Water (1 liter), a natural mineral water product packaged in a paper container, in March 2021. By using Tetra Gemina® Aseptic containers (TGA*), Gold-Pak was able to reduce plastic use by 22% compared to a conventional 2 liter plastic bottle with a cap.

*TGA: Paper containers mainly using FSC® (Forest Stewardship Council™) certified packaging materials, which increases the ratio of renewable materials and reduces the amount of plastic used.



Material Balance

The Air Water Group works to reduce its environmental load by tracking its total environmental impact (material balance), from inputs like resources and energy to outputs like greenhouse gases and waste at our major plants. Specifically, we collect the following data from Group companies with high environmental impact who by law are required to submit reports.



Scope of collection of environmental performance data

1. Energy, greenhouse gas : Air Water Group consolidated companies (domestic and overseas)
2. Excluding energy, greenhouse gas : 115 domestic plants of Air Water and 54 major consolidated subsidiaries* (55 companies in total)

*Profitable companies that are primarily engaged in the manufacture of products in each business segment

External evaluation regarding our environmental initiatives

We participate in the Corporate Sustainability Survey conducted by CDP*, an international environmental non-governmental organization. In fiscal 2022, we received an A- rating, which puts us in the Leadership category of CDP scores, for our advanced activities in the two areas of Climate Change and Water Security. We moved up by one level from a B rating in fiscal 2021 in both areas. We believe that this reflects the high evaluation of our efforts to set and achieve our environmental targets.



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

Implementing a management model that leverages our people



In order to achieve further growth by solving social issues to create new corporate value, the Air Water Group is pursuing a human resource strategy that goes hand in hand with its business strategy, with the aim of implementing a management model that leverages our people. The challenge and growth of the people who create the business is the driving force of corporate development, and by providing these opportunities, we will create a virtuous cycle in which both our employees and the Air Water Group grow together.

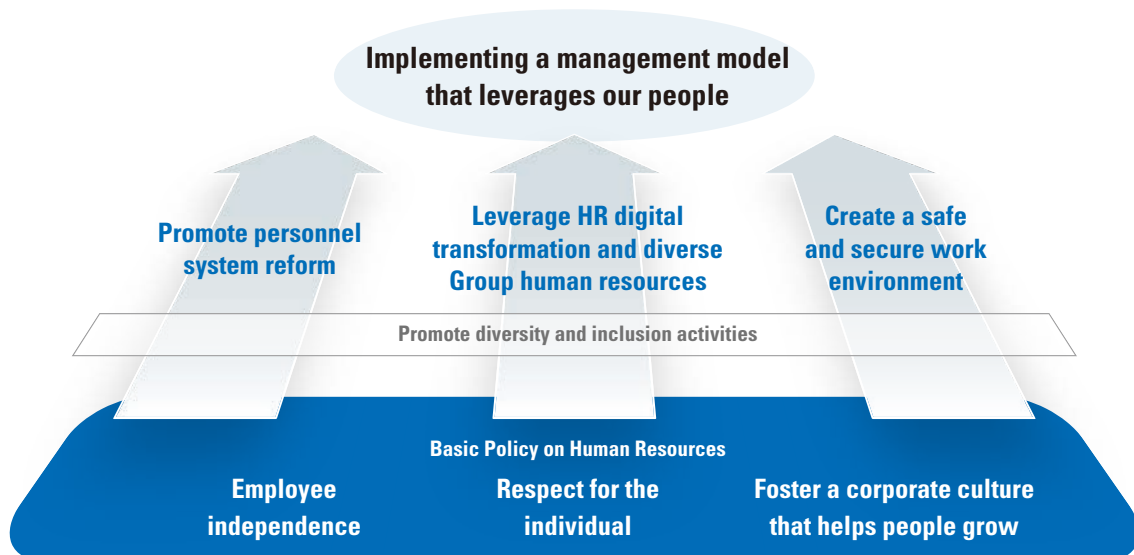
With regard to our human resource strategy, our basic human resource policy is to promote employee independence, respect the individual, and foster a corporate culture that helps people

grow. The Air Water Group has achieved strong growth by leveraging the business strengths of each company that joined the Group through M&A deals, as well as the diverse human resources they employ.

Under these circumstances, we have set out to revamp our personnel system to boldly take on the challenge of transformation to achieve terrAWell30, our vision for FY2030. At the same time, we are working on reforms to maximize Group human resource utilization.

The type of human resources we are looking for are those who take on the challenge of transformation and creation, have the ability to develop a vision and promote involvement, and are capable of independent transformation and growth. In FY2022, we introduced a job grading system for management level employees, which highly values individuals who take on the challenge of transformation and creation regardless of age or career history. Going forward, we will support independent career development of employees and promote long-term and sustainable development of management human resources by moving away from a uniform, step-by-step promotion model for regular employees, providing more challenging opportunities to younger employees, and revising the system to enable early promotions. Furthermore, we will promote the utilization of our diverse human resources by creating a safe and secure work environment where employees can maximize their individual abilities and by keeping track of the experience and skills of each employee in the Group. At the same time, we will pursue diversity and inclusion initiatives with the aim of achieving diversity-fueled corporate and individual growth.

Overview of the Air Water Group Human Resource Strategy



Human Resource Strategy

In order to implement a management model that leverages our people, we are promoting personnel system reforms to create a virtuous cycle that enables both individual employees and the company to grow by developing and producing management personnel who can drive new growth and by providing employees with opportunities to take on new challenges. Under these circumstances, based on our basic personnel policy of employee independence, respect for the individual, and fostering a corporate culture that helps people grow, we are promoting initiatives centered on promoting personnel system reform, leveraging HR digital transformation and diverse Group human resources, and creating a safe and secure work environment.

Promote personnel system reform

To ensure sustainable growth in a rapidly changing business environment, we are actively securing human resources by acquiring businesses through M&A deals and hiring mid-career professionals who can make an immediate impact year-round. We will change the seniority-based wage policy, in which wages rise gradually based on the new graduate batch hiring and lifetime employment systems, and shift to a personnel system that highly values individuals who take on the challenge of transformation and creation, and encourages employees to proactively develop their own careers. For management level employees, we introduced a job grading system whereby compensation packages are determined by job grades based on the size of assignments agreed upon between the employee and the company, regardless of age or career history. By adopting this system, employees with the drive and ability to take on challenges can be promoted to managerial positions in their twenties. In addition, we rotate employees so that the same human resources do not remain in one position for a long period of time. This enables each employee to gain a diverse set of experiences and enhance their expertise, thereby expanding the scope of their activities throughout the Group. For regular employees, we will move away from a uniform promotion model and provide more opportunities to take on new challenges, thereby supporting the independent career development of our employees. We will foster a culture in which young people are actively challenged, appointed, and promoted.

Leverage HR digital transformation and diverse group human resources

The Air Water Group, which operates in a wide range of areas as a result of M&A deals, has a diverse group of employees. Accordingly, while shifting to a job grading system, we are also working to build and operate an internal human resources pool to identify the characteristics, experience, and skills of each employee and assign the best person to each position. In addition, we are introducing an internal open recruitment system that clearly specifies important positions for employees with a certain level of ability and qualifications, encouraging them to step up and take on challenges. The scope of this system will also be extended to Group companies in the future in order to revitalize the entire Air Water Group.

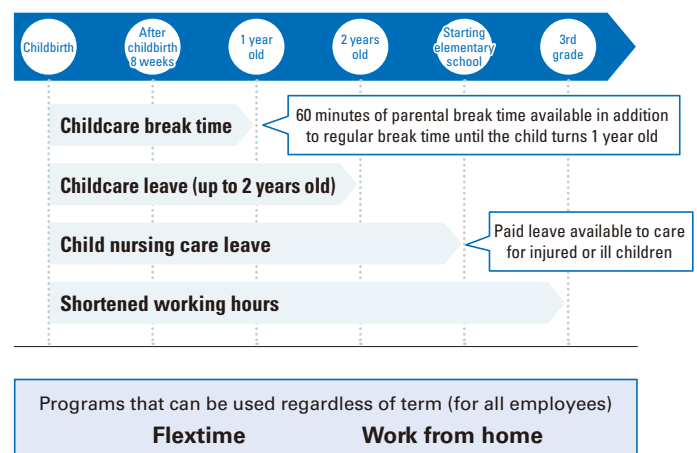
Create a safe and secure work environment

To enable employees who are facing various events in their lives to maximize their abilities, we must create a safe and secure work environment. To date, 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 that allows employees to take leave when their spouse is being relocated, and a job return program. In July 2020, we received the Kurumin certification in recognition of our efforts to promote work-life balance.



On the other hand, the rapid aging of Japan's population has led to a rapid increase in the number of people with Needed Support Certification and Needed Long-Term Care Certification under the long-term nursing care insurance system, creating a major social issue on how to support employees who work while providing care for their families. Accordingly, we will review our benefit programs to provide various types of employment support for employees who have work restrictions related to nursing care responsibilities, and create an environment that enables them to continue developing their careers. In addition to this, we have introduced flextime and work-from-home programs with the aim of improving productivity through flexible work styles.

Programs Available for Balancing Work and Childcare



Diversity and Inclusion Initiatives

With 167 Group companies in Japan and overseas and approximately 20,000 employees, the AirWater Group considers diversity and inclusion (D&I) that enables people to build careers regardless of gender, age, race, nationality, and other factors to be an important issue.

Under these circumstances, as a first step toward achieving D&I, we launched the Women's Participation and Advancement Promotion Project in 2016 with the aim of becoming a company where women can thrive. We carried out a variety of initiatives, including improving workplace culture, providing continued employment support, and offering career support and hiring/development. As a result, the percentage of women in managerial positions increased from 1.5% in FY2017 to 4.0% in FY2021, and

the percentage of women in section chief and supervisory positions also increased from 6.4% in FY2017 to 14.7% in FY2021.

From FY2022, we newly launched the D&I Promotion Project headed by the Chairman and CEO, to expand the scope of D&I promotion, which is centered on women's participation, to three regional business companies in order to develop it into an initiative aimed at enhancing the work-life balance and activities of each and every employee. In addition to promoting women's participation and advancement, this project is focused on promoting the areas of promoting paternity leave, balancing nursing care and work, implementing awareness and cultural reforms to drive an ownership mindset, and promoting the employment of people with disabilities.

From promoting women's advancement and participation to promoting D&I



Promoting Women's Advancement and Participation and Paternal Childcare Leave

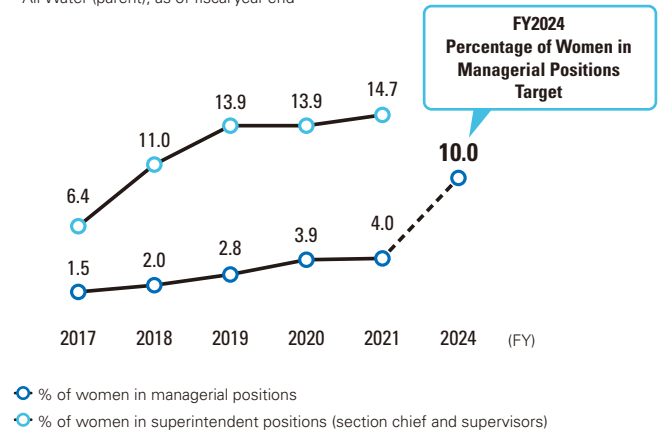
With regard to promoting women's participation and advancement, we set a target in our terrAWell30 1st stage medium-term business plan to increase the percentage of women in managerial positions from 4.0% in FY2021 to over 10% by FY2024, and we are promoting the appointment of highly motivated women. To achieve this target, we established a five-step process consisting of hiring, continued employment, development, promotion, and the achievement of diversity. In terms of hiring, we have set a target of continuously increasing the percentage of female new graduate hires to over 40%, and are working to step up our hiring of female employees. Furthermore, with regard to continued employment, we finished introducing various systems and are now focusing on developing our employees, enhancing our mentor-based career development support program and female leader development program.

As for promoting the newly identified priority issue of paternal childcare leave, we aim to increase the rate of male employees taking childcare leave and vacation leave to more than 40% by FY2024. To achieve this target, we encourage employees to take childcare leave by holding in-house seminars to promote understanding of the childcare leave system and roundtable discussions to provide a forum for communication between employees who have taken childcare leave and those who wish to take childcare leave. In addition to regular childcare leave, we have

a unique childcare leave system that enables employees to use paid leave accumulated through our special annual leave accrual system for childcare leave. In addition, we publish in-house information magazines "Childcare Leave Supporter" and "Childcare Leave Guide" for employees who have taken childcare leave and their supervisors to promote understanding of the childcare leave program among all employees.

Proactive Promotion of Female Employees (%)

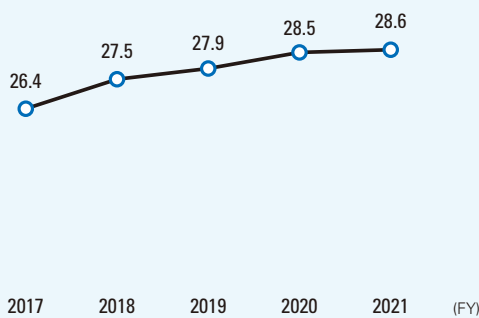
*Air Water (parent), as of fiscal year end



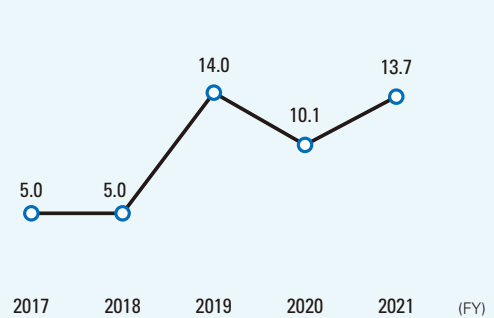
Data Visualization of Our Management Model that Leverages People

The Air Water Group employs a diverse workforce of approximately 20,000 people. We actively hire women, overseas employees, and mid-career professionals who embrace different ideas and bring different skillsets, while also promoting young managers capable of becoming the next generation of managerial talent.

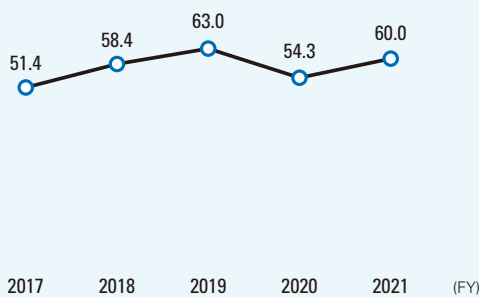
% of female employees *consolidated



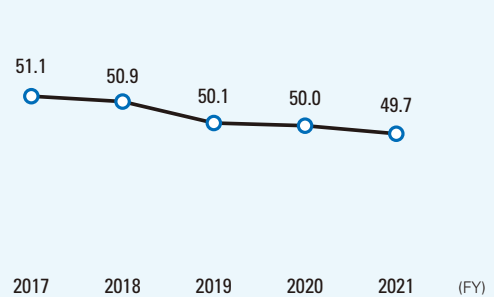
% of overseas employees *consolidated



% of mid-career professional hires *Air Water (parent)



Average age of managers (years) *Air Water (parent)



Topics **Air Water Smile, a type A continued employment support office** Helping people with disabilities to continue working comfortably

In January 2022, regional business company Air Water East Japan, established Air Water Smile Co., Ltd. in Matsumoto City, Nagano Prefecture, and began operating it as a type A continued employment support office*.

There is a large disparity in employment opportunities for people with disabilities between urban areas and rural/suburban areas, and in rural areas, there are few job opportunities for those who wish to work, and commuting is a challenge. Under these circumstances, Air Water Smile will help solve regional issues by creating employment opportunities for people with disabilities in the region and actively supporting their employment. This includes having them support the daily lives of elderly care facility residents by washing their clothes and towels to reduce the burden on nursing care workers, who are chronically short-staffed, thereby improving the quality of nursing care services.

Going forward, we will secure these types of outsourcing contracts with more facilities, while also pursuing outsourcing contracts from other industries such as agriculture, to create new work opportunities for people with disabilities and give them a sense of fulfillment and purpose in their work.

*Welfare service based on the Act on Providing Comprehensive Support for the Daily Life and Life in Society of Persons with Disabilities that enables persons under 65 years of age with disabilities or serious illnesses who have difficulty working for regular companies to work in a workplace with a certain level of support under an employment contract.



Supporting the daily lives of elderly care facility residents by handling laundry and other daily life activities



Outsourcing contracts include packing and bagging of tomatoes

Human Rights

At the Air Water Group, we support the United Nations' Universal Declaration of Human Rights and its Guiding Principles of Business and Human Rights. We are also engaged in an array of activities to guarantee respect for basic human rights and diversity.

Basic Human Rights Policy (excerpt)

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

Procurement activities that take human rights into consideration

The Air Water Group believes that it is necessary to build strong partnerships with our business partners and conduct procurement activities that consider the global environment and basic human rights across the supply chain.

The Air Water Group Sustainable Procurement Policy clearly states that “we will respect basic human rights and engage in procurement activities that consider both labor environments (prohibition of forced and child labor) and safety,” and we conduct procurement activities in accordance with this policy.

Human rights education

The Air Water Group clearly states its stance on human rights in the Air Water Group Code of Ethical Conduct and instills this stance in its employees through various training programs, including the Human Rights Seminar.

Human Rights Seminar content

- Human rights due diligence
- Value chain and stakeholders
- Identification of human rights issues, etc.

Occupational Safety and Health

Safety and Health Basic Policy

The Air Water Group believes that ensuring safety is a fundamental priority for any corporate activity, and that a company cannot survive and thrive without the safety and security of its employees. Based on this idea, we are striving for occupational safety, traffic safety, occupational health, as well as safety and disaster prevention in accordance with our Safety and Health Basic Policy.

Safety and Health Basic Policy

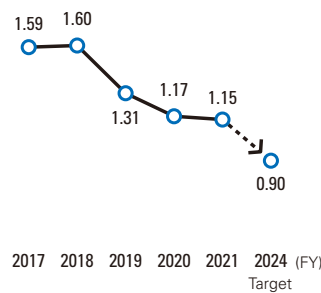
- 1 We aim to achieve zero work-related accidents, and advance comprehensive and systematic safety measures.
- 2 We promote the formation of a comfortable workplace environment, while securing employee safety and health.
- 3 We comply with all related laws and operating procedures, and create workplaces with clear lines of responsibility concerning occupational safety, traffic safety, and occupational health, as well as safety and disaster prevention.

Under the above Basic Policy, through providing safety and health education, we raise the awareness of each employee and promote the creation of a corporate culture that places the highest priority on safety and health.

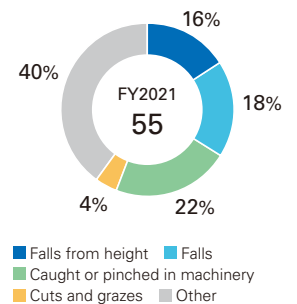
Key Performance Indicators: Rate of accidents associated with days away from work

Under our terrAWell30 1st stage medium-term business plan, we are working to improve health and safety in the workplace, with the goal of reducing the rate of accidents (while working) associated with days away from work in the entire Group from 1.15 in FY2021 to 0.9 or less by FY2024.

Frequency Rate of Accidents (while working) Associated with Days Away from Work



Breakdown of Accidents (while working) Associated with Days Away from Work



The Air Water Group is involved in a number of industries through its diverse business portfolio. According to Ministry of Health, Labour and Welfare statistics for FY2021, the rate of accidents for the manufacturing industry (100 or more workers) is 1.31. The Group's frequency rate under the same criteria is 1.15. In addition, we had 55 accidents (while working) associated with days away from work in FY2021, a decrease from 56 in FY2020.

*The number of people involved in work-related accidents resulting in death or injury per one million total working hours.

$$\left(\text{Frequency rate} = \frac{\text{Deaths and injuries resulting from work-related accidents}}{\text{Total working hours}} \times 1,000,000 \right)$$

Work-related accident reduction initiatives

To reduce work-related accidents, the Air Water Group's priority focus in FY2021 was on raising safety awareness and sensitivity regarding work-related accidents, preventing accidents involving falls, cuts and grazes, and having limbs pinched or caught in machinery, and lowering machinery and equipment risk by providing thorough guidance on the three basic safety rules for machinery and equipment of removing, isolating, and stopping hazards at the source.

■ FY2021 Initiatives

(1) Fall prevention activities

Carried out the following initiatives during the focus months of June and December:

- Confirmed implementation status of accident prevention measures through safety patrols by using work-related accident prevention check sheets
- Identified risks through risk assessment of passageways, work areas, and other areas where falls are likely to happen
- Monitored winter weather information and disseminated it at each workplace. Thoroughly implemented measures to prevent accidents involving falls due to icy roads, pathways, work floors, etc.

(2) Organized foremen training courses

- Strengthened and enhanced in-house training programs to train foremen, who play a central role in on-site safety management, on risk assessment and work procedure manual preparation

(3) Others

- Hosted training sessions for high-pressure gas safety and engineering staff (September) and for safety staff (March)
- Hosted simulation-based safety experience training sessions using VR and compact, portable equipment (for new employees)



Safety experience training for new employees



VR safety experience training

Quality Control and Assurance

Company-wide Policy on Quality

With the aim of providing products and services that meet the high expectations and earn the trust of our customers, the Air Water Group is working to promote quality assurance activities and raise the quality assurance awareness of employees under the Company-wide Policy on Quality.

Company-wide Policy on Quality

Offering products, goods, and services with quality appreciated by our customers with a word of thanks.

Improved compliance relating to quality

To prevent loss of public trust and business losses stemming from quality defects, major complaints, and large-scale recalls, the Air Water Group established the Air Water Group Quality Compliance Guidelines. The guideline stipulates the basics of the Group's activities aimed at reducing quality compliance risks, and we are working to improve risk management among departments and Air Water Group companies.

Promoting Regional Partnerships and Sponsorships

The Air Water Group is creating new businesses that help solve regional issues while building cooperative frameworks in each region, including partnerships with local governments and local industries, led by its three regional business companies. As a member of the local community, we also provide support by sponsoring sports, cultural and artistic events and making donations to local governments.

Concluded a comprehensive partnership agreement with Hokkaido

On September 5, 2022, we concluded a comprehensive partnership agreement with Hokkaido Prefecture. Under this agreement, we agreed to work together to solve regional issues in a wide range of fields, including energy and environment-related industries, agriculture and forestry development, and health promotion, by harnessing both of our various resources and expertise.



Governor Suzuki of Hokkaido participated in the agreement signing ceremony

Sponsored the Matsumoto Marathon

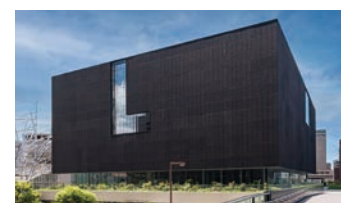
The Air Water Group operates a variety of businesses in Nagano Prefecture, with a particularly large concentration of business sites in Matsumoto City. With the hope of working together with the local community to boost the city of Matsumoto, we have been a main sponsor of the Matsumoto Marathon since the first event in 2017. We will contribute not only to promoting sports in the community but also to creating a healthy society.



Matsumoto Marathon 2022, which was held for the first time in three years

Sponsored the Nakanoshima Museum of Art in Osaka

As part of our social contribution to promote local culture, we sponsored the Nakanoshima Museum of Art in Osaka, which opened on February 2, 2022, in Kita-ku, Osaka City. We will continue to help provide opportunities for the local community to enjoy arts and culture, and at the same time contribute to the development of culture and the arts in Osaka, the birthplace of Daido Sanso Co., Ltd., one of our three founding companies.




The Nakanoshima Museum of Art in Osaka showcases the city's appeal to the world

Corporate Governance

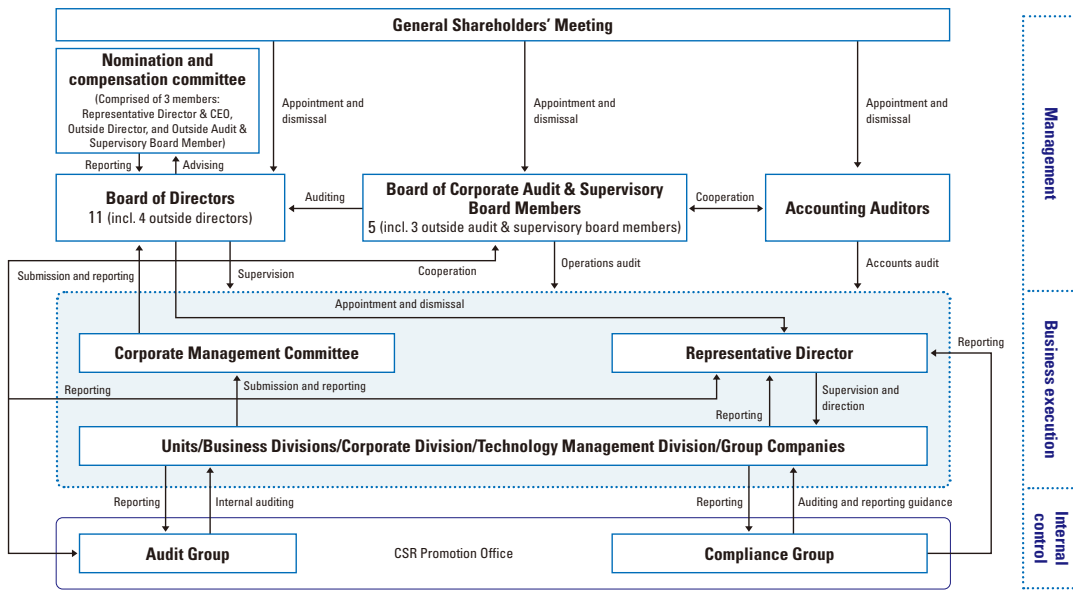
Basic Approach

AirWater believe that conducting fair business activities, using general common sense, and gaining trust from all stakeholders is essential for continuous business growth and the maximizing of corporate value. To this end, we believe that our most important management task is to make ceaseless efforts to establish comprehensive corporate governance by enhancing the internal control system, enforcing compliance, and reinforcing risk management.

Some of the details of our efforts regarding the Corporate Governance Code revised by the Tokyo Stock Exchange in June 2021 are described in our Corporate Governance Report, which is available on our website.

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

Corporate Governance Structure



System Summary

1/3 of the Board of Directors are Independent outside directors

3/5 of the Audit & Supervisory Board are Independent outside audit & supervisory board members

1 of the Board of Directors is female

Management system

AirWater is a company with an Audit & Supervisory Board where the Board of Directors makes important management decisions and supervises the execution of business operations, while the Audit & Supervisory Board members audit director performance by attending meetings of the Board of Directors and other important meetings. Upon the reorganization in April 2022, we appointed two directors to oversee the global environment and wellness business fields, which we have defined as the growth axes of our diverse business portfolio, and one representative director in charge of the global and engineering businesses, which will be responsible for future growth. In addition, we added one outside director with management experience to our Board of Directors in June. As a result, our Board of Directors now consists of eleven members: seven internal directors and four external directors. The term of office of directors is set at one year in order to clarify the management responsibility of directors for each fiscal year. Furthermore, in August 2022, we established a nomination and compensation committee with independent outside directors and audit & supervisory board members making up the majority to strengthen the independence, objectivity, and accountability of the board's functions related to the nomination and remuneration of directors and senior management.

Business execution system

As an organization that supports accurate and prompt

decision-making in the AirWater Group's wide range of business fields, the Corporate Management Committee, mainly consisting of internal directors and the heads of each business division, convenes once a month as a general rule. The Corporate Management Committee conducts preliminary deliberations on matters to be brought before the Board of Directors from a broad and diverse range of perspectives, and also deliberates on important matters related to the execution of the Group's business operations.

Internal control system

Internal audits are conducted regularly by CSR Promotion Office Internal Auditing Group, the company's internal auditing office, on the AirWater Group's compliance with laws, regulations, and internal rules and on the appropriateness and adequacy of the Group's business processes. In addition, the CSR Promotion Office Audit Group monitors and supervises the establishment and operation of internal control systems to ensure the reliability and appropriateness of financial reporting, and serves as the lead department under the responsibility and direction of the representative director in evaluating the effectiveness of such systems. Furthermore, we have established the CSR Promotion Office Compliance Group as a dedicated department to manage and control compliance, safety and disaster prevention, environmental preservation, and quality assurance across the AirWater Group.

Skill Matrix for Directors and Audit & Supervisory Board Members

The Board of Directors and the Board of Corporate Audit & Supervisory Board Members have organized a skill matrix based on seven areas of experience and skills to cover each function of the company and each business domain: (1) corporate management, (2) finance affairs and accounting, (3) risk management and legal, (4) business strategy and marketing, (5) technology and R&D, (6) human resources management, and (7) global. From the perspective of having the right people in the right places for accurate and prompt decision-making, we appoint

several directors and audit & supervisory board members who are familiar with the Group's operations and several independent outside directors and audit & supervisory board members who have extensive experience and knowledge outside of Air Water, including those with management experience at other companies, certified public accountants, and lawyers, to ensure that the overall balance and diversity of the Board of Directors and the Board of Corporate Audit & Supervisory Board Members is maintained in an optimal manner.

Skill Matrix for Directors and Audit & Supervisory Board Members

		Corporate management	Financial affairs and accounting	Risk management and legal	Business strategy and marketing	Technology and R&D	Human resources management	Global
Directors	Masahiro Toyoda	Chairman Emeritus and Representative Director	●		●			
	Kikuo Toyoda	Chairman and Representative Director CEO	●	●	●		●	
	Kiyoshi Shirai	President and Representative Director COO	●			●		
	Ryosuke Matsubayashi	Representative Director and Executive Vice President COO*				●	●	●
	Masato Machida	Representative Director Executive Vice President	●	●		●		
	Kazuya Mizuno	Senior Managing Executive Officer				●		●
	Keita Hara	Senior Managing Executive Officer				●	●	
	Yukiko Sakamoto	Outside Director			●		●	
	Isamu Shimizu	Outside Director					●	
	Takao Matsui	Outside Director		●				●
	Yoshihiro Senzai	Outside Director	●			●	●	
Audit & Supervisory Board Members	Hiromi Yanagisawa	Standing Statutory Audit & Supervisory Board Member		●				●
	Yuji Ando	Standing Statutory Audit & Supervisory Board Member	●		●			
	Kunihiko Tsuneyoshi	Outside Audit & Supervisory Board Member (Managing)	●	●				
	Atsushi Hayashi	Outside Audit & Supervisory Board Member			●			
	Nobuo Hayashi	Outside Audit & Supervisory Board Member			●			

*In Charge of Global and Engineering

Gauging the Board's Efficacy

In order to improve the effectiveness of the Board of Directors as a whole, we conduct an annual questionnaire for directors and audit & supervisory board members, analyze and evaluate the effectiveness of the Board of Directors as a whole by employing an external third-party organization, and disclose a summary of the results.

Effectiveness Assessment Process

<p>Questionnaire for directors and audit & supervisory board members</p> <p>[Scope] Directors and audit & supervisory board members (including outside officers)</p> <p>[Main questions] Composition, operation, discussion, and monitoring functions of the Board of Directors/Support system for directors and audit & supervisory board members/Own initiatives</p>	<p>FY2021 assessment results</p> <ul style="list-style-type: none"> • Preliminary explanations of agenda items are effectively provided. • The secretariat improved its operations by reviewing the criteria for submitting agenda items to the Board of Directors, among other measures. • The Board of Directors discusses each business with a focus on profitability, capital efficiency, etc. 	<p>The evaluation was generally positive, indicating that the effectiveness of the Board of Directors is sufficiently ensured.</p>
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Initiatives through FY2021

- Early distribution of Board of Directors meeting materials
- Holding preliminary briefings for outside directors and audit & supervisory board members
- Revision of agenda item criteria for the Board of Directors meetings

FY2022 Initiatives

- Established a nomination and compensation committee
- Enhanced the diversity of the Board of Directors
- Made further operational improvements to the Board of Directors Secretariat

Corporate Governance

Officers' Remuneration

Remuneration for each director is determined within the total amount of remuneration set by resolution of the general shareholders' meeting, taking into consideration that the level of remuneration is appropriate to reward the roles, responsibilities, and performance of each director and that the remuneration effectively functions as an incentive to improve corporate value over the medium to long term. Effective August 4, 2022, we established a nomination and compensation committee as a voluntary advisory body to the Board of Directors, with independent outside directors and audit & supervisory board members making up the majority. Going forward, the nomination and compensation committee will deliberate on policies for determining the remuneration of directors and the amount of remuneration, and the Board of Directors will make decisions based on recommendations from the nomination and compensation committee.

Furthermore, the remuneration amount for each audit & supervisory board member is determined by discussion among the audit & supervisory board members within the range of the total amount of remuneration determined by resolution of the general shareholders' meeting.

Composition of officers' remuneration

Remuneration for directors consists of fixed basic remuneration, performance-linked remuneration, etc., and stock-based remuneration (excluding outside directors) in accordance with the resolution of the Board of Directors.

Non-monetary remuneration, etc. (stock-based remuneration) is in the form of restricted stock, and shares of Air Water common stock are granted after a certain period of transfer restriction, with the aim of promoting efforts to enhance corporate value over the medium to long term and further align values with shareholders. The standard ratio for each type of remuneration, etc. is 7:2:1 for basic remuneration, performance-linked remuneration, and non-monetary remuneration, respectively.

The remuneration for outside directors and audit & supervisory board members is limited to basic remuneration.

Officers' Remuneration in FY2021

Category	Total remuneration, etc. (million yen)	Remuneration by type (million yen)			No. of officers included
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Director	629	463	121	44	9
(of which, outside directors)	(33)	(33)	(—)	(—)	(3)
Audit & Supervisory Board Member	93	93	—	—	5
(of which, outside audit & supervisory board members)	(45)	(45)	(—)	(—)	(3)

*Non-monetary remuneration represents the amount recorded as expenses in FY2021 under the restricted stock remuneration plan.

Our Approach to Cross Shareholding

Cross shareholdings policy

At Air Water, we hold cross shareholdings in order to maintain client relationships, expand our business transactions, and create transaction opportunities. Regarding the new acquisition or continued holding of cross shareholdings, decisions are based on whether our relationship with the company in question—business transactions, tie-ups, collaborations, etc.—can help to raise the corporate value of the Air Water Group over the medium to long term.

Examination of cross shareholdings

At Air Water, every year the Board of Directors closely examines individual cross shareholdings to gauge whether the benefits and risks of holding such cross shareholdings are in line with capital costs, and whether holding such cross shareholdings is in agreement with our goal of improving corporate value over the medium to long term. Shareholdings that are deemed insignificant or unreasonable are reexamined and sold or reduced as necessary.

Our Approach to Parent-subsidary Listing

We are the parent company of listed company Kawamoto Corporation. The listing of the subsidiary provides the subsidiary with advantages such as securing the trust of business partners, while expanding group synergies for both companies, including cultivating new customers through Air Water's nationwide sales network of approximately 160 medical-related companies, mutual cooperation in developing advanced medical hygiene materials products and providing higher value-added services, and mutual expansion of product lineups by supplying Air Water with hygiene materials, medical supplies, and nursing care products. We believe that parent-subsidary listing is an effective option when it maximizes the corporate value of the entire group, including the subsidiary, on the premise that the subsidiary's unique corporate culture and management autonomy are maintained and the rights of minority shareholders are respected.

Enforcing Compliance

Compliance structure

As an organizational system for compliance management, we have established the CSR Promotion Office Compliance Group, which is under the direct control of the representative director, as a department responsible for the integrated management of compliance issues within the Group, and have appointed a responsible person from among directors, executive officers and board members. Furthermore, we have established a department responsible for compliance within each business group and are working closely with the CSR Promotion Office Compliance Group to strengthen our compliance system, which includes all Air Water Group companies.

Air Water Group Code of Ethical Conduct

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



Compliance Committee


Air Water has established the Compliance Committee as a consultative body in which relevant divisions get together and discuss compliance issues. The Committee considers specific measures concerning the policies and instructions on compliance given by the representative director, and other issues, and also discusses ways to deal with compliance violations if they occur.

The Compliance Committee met twice in fiscal 2021, and discussed key matters pertaining to compliance at the Air Water Group.

Internal reporting system

To enhance compliance effectiveness, we have established an internal reporting system. Anyone who identifies a violation or potential violation of laws, regulations, and internal rules may file a report. We have established internal and external contact points for whistleblowers and stipulate that whistleblowers will not be treated unfairly. Furthermore, the contact information for the internal reporting system hotline is displayed on compliance posters at all business sites to ensure that each and every employee of the Air Water Group is fully aware of the hotline.

See our website for more on our activities to ensure thorough compliance.

 **Activities to ensure thorough compliance**
<https://www.awi.co.jp/en/sustainability/governance/compliance.html>

Reinforcing Risk Management

Risk management structure

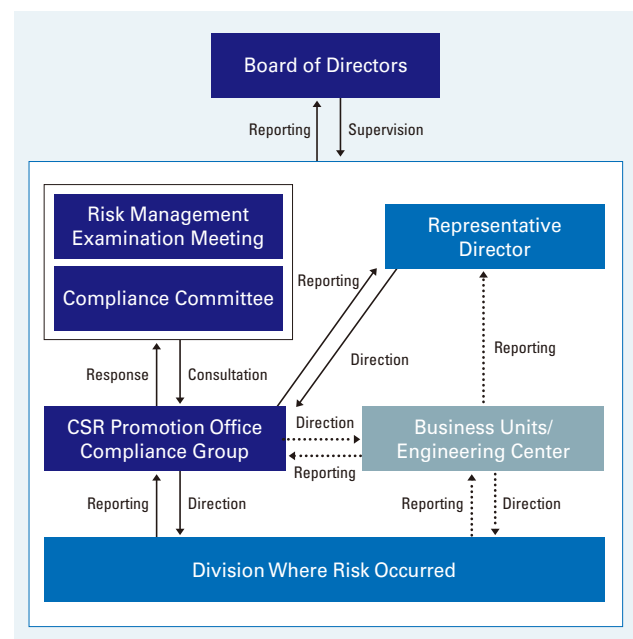
Risks related to compliance, safety and disaster prevention, environmental preservation, and quality assurance, which we consider to be particularly important risks in the Air Water Group's business activities, are managed across the Group by the CSR Promotion Office Compliance Group, which is under the direct supervision of the representative director, as a department responsible for the integrated management of compliance issues within the Group. Each department manages

individual risks related to information security, intellectual property, overseas business development, and contracts by establishing internal rules, preparing manuals, and conducting training programs, as well as through preliminary inspections and approval systems. In addition, the CSR Promotion Office Compliance Group serves as the secretariat for the risk management examination meeting, which are held on a regular basis to enhance the risk management system for the entire Air Water Group. In FY2021, we held this meeting four times to identify major risks in the Group and discussed the status of countermeasures against these risks. For our overseas companies, the CSR Promotion Office Compliance Group, which is in charge of risk management, has established a risk management system in cooperation with the business units and engineering centers that manage these companies. Risk assessments are conducted once a year for each overseas company in a series of processes that include identifying risks, analyzing and evaluating risks according to the degree of impact and probability of occurrence, and examining risk countermeasures. Based on the results, we formulate a business continuity plan (BCP). The CSR Promotion Office Compliance Group manages company-wide global risks by providing guidance and advice for these risk assessments and BCPs.

See our website for more on our risk-management activities.

 **Risk management at the Air Water Group**
<https://www.awi.co.jp/en/sustainability/governance/compliance.html>

Risk Management Framework



Messages from Outside Directors



Yukiko Sakamoto

Outside Director

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

Providing all employees with a place to belong and an opportunity to shine will lead to people growing and the company thriving

I have been involved in developing the skills of workers, creating a comfortable workplace, and promoting diversity. Based on this knowledge, I consider it my role to make various recommendations, focusing on employee growth, workplace comfort, and diversity. At Air Water, both female and male employees are highly motivated to contribute to society through their work and grow as individuals.

I believe that a good organization is one in which everyone has a place to belong and an opportunity to shine. As a result of the many M&A deals we have pursued, we have a large number of affiliates and a remarkably diverse range of work. This also requires a sense of unity as an organization, thus enabling seniors to find new opportunities to leverage their past experience and play a role in strengthening the interconnectedness of the organization. For young employees, this makes for an attractive place with abundant opportunities to take on a variety of challenges and bring their ingenuity into practice.

I believe that Air Water, which implements a management model that leverages its people and provides all employees with the opportunity to thrive in their own way, is a company that can contribute to the sustainable development of society.

The role of an outside director is like a control rod in a nuclear reactor

It has been four years since I became an outside director of Air Water, and I feel that governance has improved and strengthened compared to when I first became a director. We had two outside directors, including myself, but now we have four, and in FY2022 Air Water started to have a nomination and compensation committee, which is now in place at the majority of the Tokyo Stock Exchange Prime listed companies. Preliminary explanations regarding agenda items for the Board of Directors meetings have also become more substantive. Based on my experience in governance management at a national university corporation and taking into consideration the role required of an outside director, I intend to continue to actively encourage Air Water to strengthen its governance.

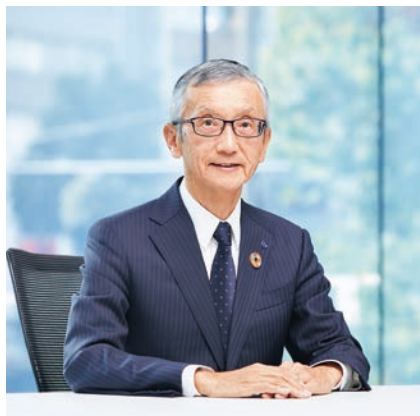
In my opinion, outside directors in general are like control rods in a nuclear reactor. I believe that our role is to advise companies to maintain balanced and sound management, encouraging aggressive innovation when their investment activities are too conservative, and encouraging restraint when their activities are considered too aggressive without considering the present circumstances. Since even more vigorous investment is planned in the new medium-term business plan, I would like to keep a close eye on the growth potential, investment efficiency, and cash flow of each planned business.



Isamu Shimizu

Outside Director

June 1998 Professor, Center for Ecological Research, Kyoto University
Apr. 2003 Director, Center for Ecological Research, Kyoto University (Member of the Board of Councilors, Kyoto University)
Nov. 2008 Chief Researcher, Health Research Foundation
June 2018 Director, Air Water (current)



Takao Matsui

Outside Director

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

Strengthening Group governance is essential to maximize the value of diverse business development

AirWater operates in a variety of fields, with consolidated Group companies alone accounting for 167 companies. Some companies with many group companies spend time fostering a sense of unity in their corporate culture and organizational climate to make Group governance effective, but since AirWater expanded its business domain in a short period of time, mainly through M&A deals, we need to establish a different kind of Group governance system.

As one solution, the new medium-term business plan reorganizes and consolidates diverse business groups around two axes: global environment and wellness. By strengthening synergies among Group companies, the aim is to create new technologies and businesses that were not previously possible, while also strengthening Group governance.

AirWater has operated a diverse range of businesses and reshaped itself in the face of various changes in the business environment. As a result, it has achieved growth that continues to this day, while at the same time acquiring a diverse range of knowledge and expertise. I would like to support AirWater as it takes on the challenge of maximizing the value of its diverse business portfolio by leveraging my knowledge and experience in accounting audits in a wide range of business companies.

Innovate by combining sources of strengths with management expertise

I have been involved in innovation as an engineer up to a point and then as a manager. Even in light of my experience, I have never seen a company that operates in such a wide range of areas as AirWater does. I feel that AirWater has the potential to deliver unprecedented levels of innovation.

So how should this potential be used? I believe that in order for a company to achieve sustainable growth, it is important to “know” and further uncover its sources of strengths in the fields of research, production, and sales, and to leverage these strengths in an innovative manner. Since this is usually taken for granted, people within the company are surprisingly unaware of the sources of strengths. First, I would like to use my experience to uncover AirWater’s sources of strengths and help visualize them throughout the company.

To innovate, you cannot simply add sources of strengths together. It is always necessary for a person with management skills to analyze, change the mix, and create new forms of value. In other words, it is important to leverage management expertise to combine the sources of strengths, and I believe I can be of service here as well. I would like to use my experience to contribute to the creation of innovation and the sustainable growth of AirWater.



Yoshihiro Senzai

Outside Director

Apr. 1971 Joined Hitachi Maxell, Ltd.
 (currently Maxell Holdings, Ltd.)
 June 2016 Chairman, Maxell Holdings, Ltd.
 Oct. 2017 Representative Director and Chairman,
 Maxell Holdings, Ltd.; Director and Chairman,
 Maxell, Ltd.
 June 2022 Director, AirWater (current)

Corporate Directors and Audit & Supervisory Board Members

(as of September 30, 2022)

Corporate Directors

Masahiro Toyoda

Chairman Emeritus &
Representative Director

Number of Air Water shares held **232,189**
Board of Director meeting attendance in FY2021 **12/13**



- Mar. 1957 Joined Daido Sanso Co., Ltd. (merged to form Daido Hoxan Inc. in April 1993)
- June 1999 President & Representative Director and COO, Daido Hoxan Inc. (now Air Water)
- June 2001 Vice Chairman & Representative Director and COO, Air Water
- June 2015 Chairman & Representative Director and CEO, Air Water
- June 2019 Chairman Emeritus & Representative Director, Air Water (current)

Masato Machida

Representative Director &
Executive Vice President
In Charge of Corporate Strategy Center

Number of Air Water shares held **44,298**
Board of Director meeting attendance in FY2021 **13/13**



- Apr. 1980 Joined Hoxan Corporation (now Air Water)
- June 2011 Corporate Director and General Manager of the Management Planning Division, Air Water
- June 2014 Managing Director and President of the Agriculture and Food Products Company, Air Water
- June 2019 Representative Director & Executive Vice President in Charge of Corporate Management, Air Water
- June 2022 Representative Director & Executive Vice President, In charge of Corporate Strategy Center, Air Water (current)

Kikuo Toyoda

Chairman & Representative Director
CEO

Number of Air Water shares held **71,082**
Board of Director meeting attendance in FY2021 **13/13**



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

Kazuya Mizuno

Corporate Director
Senior Managing Executive Officer
In Charge of Global Environment Field

Number of Air Water shares held **7,615**
Newly appointed



- Apr. 1981 Joined Mitsubishi Corporation
- Mar. 2013 President, Chuo Chemical Co., Ltd.
- Jan. 2019 In Charge of Chemical Company, Air Water
- Apr. 2019 Senior Executive Officer and President of Chemical Company, Air Water
- June 2022 Corporate Director & Senior Managing Executive Officer, In Charge of Global Environment Field and Digital & Industry Group (current)

Kiyoshi Shirai

President & Representative Director
COO

Number of Air Water shares held **61,646**
Board of Director meeting attendance in FY2021 **13/13**



- Apr. 1982 Joined Daido Sanso Co., Ltd. (merged to form Daido Hoxan Inc. in April 1993)
- June 2009 General Manager, Industrial Business Division, Industrial Company, Air Water
- June 2013 Corporate Director and General Manager of the Industrial Gas Business Division and Industrial Equipment Business Division, Industrial Company, Air Water
- June 2014 Corporate Director and General Manager of the Management Planning Division, Air Water
- Apr. 2017 President & Representative Director and COO, Air Water (current)

Keita Hara

Corporate Director
Senior Managing Executive Officer
In Charge of Wellness Field

Number of Air Water shares held **6,208**
Newly appointed



- June 1985 Joined Sharp Corporation
- Dec. 2016 Director, Sharp Life Science Corporation
- Mar. 2019 President, Air Water Biodesign Inc.
- Feb. 2020 Senior Executive Officer and General Manager of Corporate Technology Strategy Center, Air Water; President, Air Water Biodesign Inc.
- June 2022 Corporate Director & Senior Managing Executive Officer, In Charge of Wellness Field, Director of Group Technology Center, Air Water (current)

Ryosuke Matsubayashi

Representative Director & Executive Vice President
COO
In Charge of Global and Engineering

Number of Air Water shares held **18,444**
Newly appointed



- Apr. 1988 Joined Daido Sanso Co., Ltd. (merged to form Daido Hoxan Inc. in April 1993)
- June 2014 Executive Officer and General Manager of Engineering Business Division, Industrial Company, Air Water
- Apr. 2017 Senior Executive Officer and General Manager of Engineering Management Office, Air Water; President, Air Water Plant & Engineering Inc.
- June 2018 Corporate Director in Charge of Engineering Management Office, Air Water; President, AIR WATER AMERICA INC.
- June 2022 Representative Director & Executive Vice President and COO, In Charge of Global and Engineering, Air Water (current)

Yukiko Sakamoto

Outside Director
Independent Officer

Number of Air Water shares held **4,172**
Board of Director meeting attendance in FY2021 **13/13**



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

Isamu Shimizu

Outside Director
Independent Officer

Number of Air Water shares held **0**
Board of Director meeting attendance in FY2021 **12/13**



- June 1998 Professor, Center for Ecological Research, Kyoto University
- Apr. 2003 Director, Center for Ecological Research, Kyoto University (Member of the Board of Councilors, Kyoto University)
- Nov. 2008 Chief Researcher, Health Research Foundation
- June 2018 Corporate Director, Air Water (current)

Yuji Ando

Standing Statutory Audit & Supervisory Board Member

Number of Air Water shares held **11,239**
Board of Director meeting attendance in FY2021 **13/13**
Audit & Supervisory Board meeting attendance in FY2021 **14/14**



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

Takao Matsui

Outside Director
Independent Officer

Number of Air Water shares held **159**
Board of Director meeting attendance in FY2021 **13/13**



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

Kunihiko Tsuneyoshi

Outside Audit & Supervisory Board Member (Managing)
Independent Officer

Number of Air Water shares held **885**
Board of Director meeting attendance in FY2021 **12/13**
Audit & Supervisory Board meeting attendance in FY2021 **14/14**



- Apr. 1981 Joined The Sumitomo Trust and Banking Co., Ltd. (now Sumitomo Mitsui Trust Bank, Limited)
- June 2005 Manager, Kanazawa Branch, The Sumitomo Trust and Banking Co., Ltd.
- June 2010 Executive Officer and Director, 1st Osaka HQ Sales Office, The Sumitomo Trust and Banking Co., Ltd.
- June 2020 Managing Audit & Supervisory Board Member, Air Water (current)

Yoshihiro Senzai

Outside Director
Independent Officer

Number of Air Water shares held **1,840**
Newly appointed



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

Atsushi Hayashi

Outside Audit & Supervisory Board Member
Independent Officer

Number of Air Water shares held **1,711**
Board of Director meeting attendance in FY2021 **13/13**
Audit & Supervisory Board meeting attendance in FY2021 **14/14**



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

Audit & Supervisory Board Members**Hiromi Yanagisawa**

Standing Statutory Audit & Supervisory Board Member

Number of Air Water shares held **2,000**
Board of Director meeting attendance in FY2021 **13/13**
Audit & Supervisory Board meeting attendance in FY2021 **14/14**



- Apr. 1971 Joined Sumitomo Corporation
- Oct. 1997 General Manager of Financial Affairs, Sumitomo Corporation Europe Limited
- Apr. 2001 General Manager of Metal Resources and Accounting Division, Sumitomo Corporation
- June 2003 Executive Officer and General Manager of the Financial Affairs Division, Corporate Solutions Center, Air Water
- June 2016 Standing Statutory Audit & Supervisory Board Member, Air Water (current)

Nobuo Hayashi

Outside Audit & Supervisory Board Member
Independent Officer

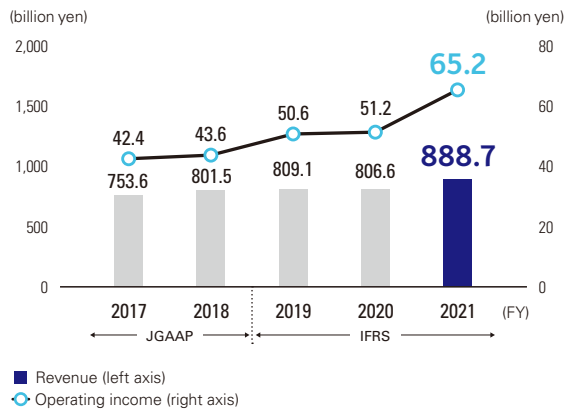
Number of Air Water shares held **1,598**
Board of Director meeting attendance in FY2021 **13/13**
Audit & Supervisory Board meeting attendance in FY2021 **14/14**



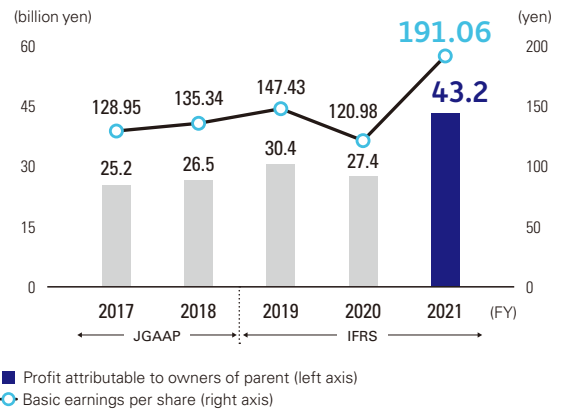
- Apr. 1988 Professor, School of Law, Senshu University
- Apr. 2001 Professor, Graduate School of Law, Kyoto University; Professor, Faculty of Law, Kyoto University
- Oct. 2012 Vice-President for Legal Affairs and Compliance, Kyoto University
- June 2020 Audit & Supervisory Board Member, Air Water (current)

Financial *Indicated based on JGAAP up through FY2018 and based on IFRS starting in FY2019

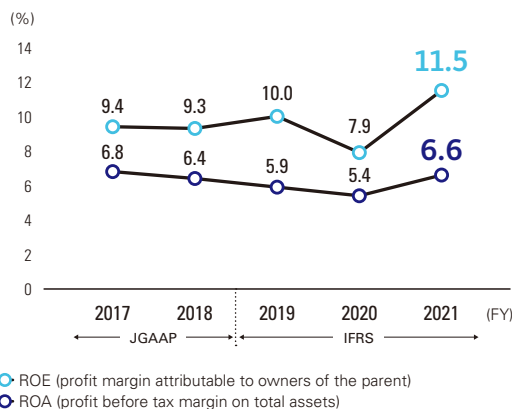
Revenue
Operating income



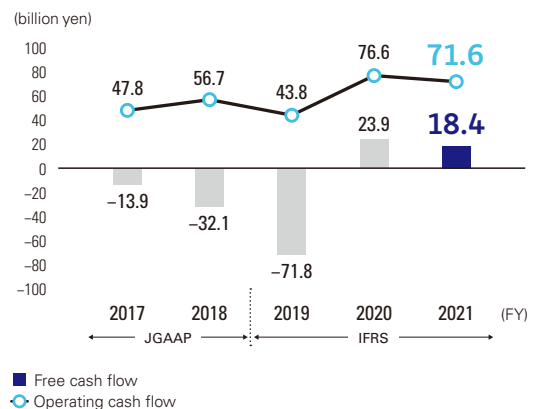
Profit attributable to owners of parent
Basic earnings per share



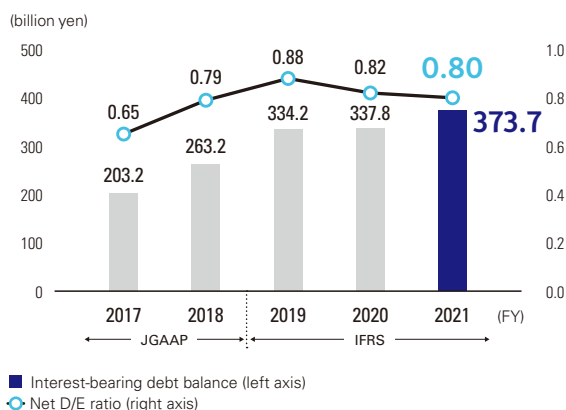
ROE
ROA



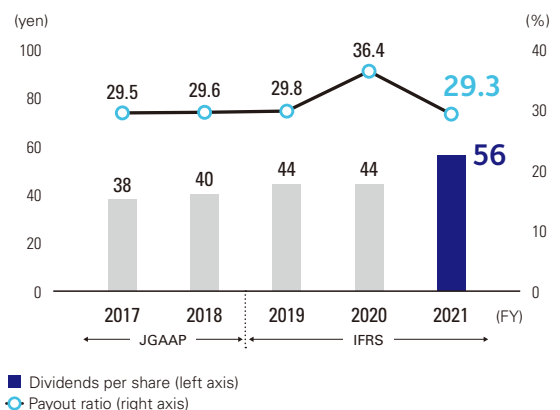
Free cash flow
Operating cash flow



Interest-bearing debt balance
Net D/E ratio



Dividends per share
Payout ratio

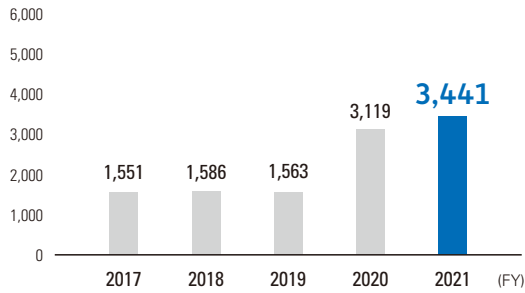


Non-financial

GHG emission volume

(Scope 1+2)

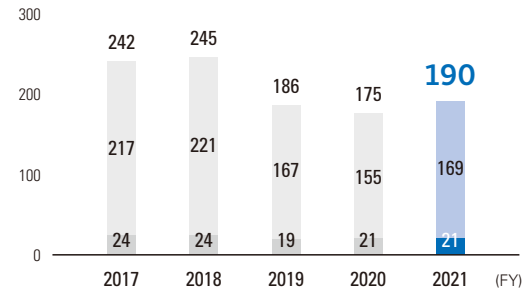
(thousand t-CO₂)



*Indicated based on the Act on the Rational Use of Energy up through FY2019 and based on the GHG Protocol starting in FY2020

Water consumption

(million m³)

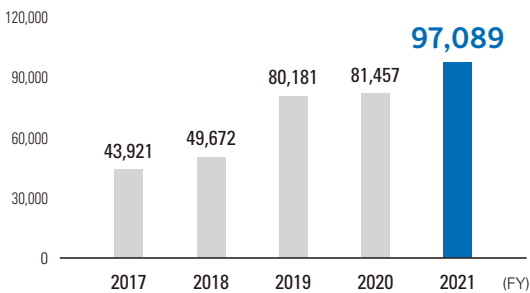


■ Freshwater ■ Seawater

*Air Water and consolidated subsidiaries with a high environmental impact

Industrial waste emissions

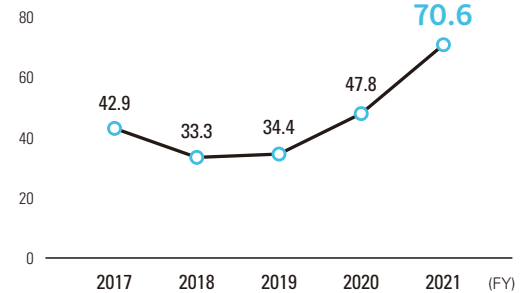
(t)



*Air Water and consolidated subsidiaries with a high environmental impact

Percentage of new graduate hires who are women

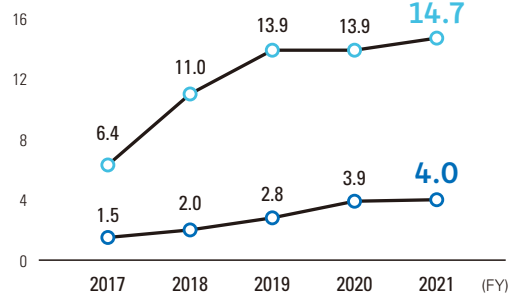
(%)



*Air Water (non-consolidated)

Percentage of women in supervisory positions

(%)



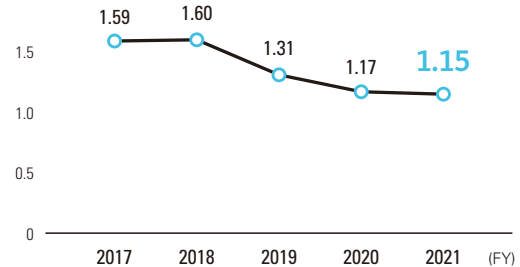
○ Percentage of women in managerial positions

○ Percentage of women in leadership positions

*Air Water (non-consolidated), as of the end of the fiscal year

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

(%)



*Air Water Group (domestic)

Japanese Generally Accepted Accounting Principles (JGAAP)

Fiscal year	2012	2013	2014	2015	2016	2017
Net sales	540,016	641,256	660,541	660,622	670,536	753,559
Operating income	27,897	35,078	36,126	39,524	41,341	42,398
Ordinary income	35,155	36,281	38,159	35,075	41,251	44,691
Profit attributable to owners of parent	18,365	19,225	20,702	20,139	22,337	25,173
Capital investment	34,110	32,348	32,028	42,236	40,587	61,309
Depreciation	22,058	24,337	25,222	26,620	25,524	27,119
Cash flows from operating activities	30,057	48,248	51,071	43,512	58,873	47,764
Cash flows from investing activities	(42,501)	(52,186)	(35,483)	(40,647)	(44,357)	(61,637)
Cash flows from financing activities	10,253	4,620	(7,940)	(8,115)	(8,553)	4,489
Free cash flow	(12,443)	(3,938)	15,587	2,864	14,516	(13,872)
Fiscal year end						
Total assets	484,328	528,092	547,642	575,832	629,115	693,101
Interest-bearing debt	141,295	155,479	154,864	157,795	172,403	203,183
Equity capital	185,599	203,500	226,375	234,726	255,984	277,954
Per-share data						
Earnings per share (EPS, yen)	94.04	98.32	105.75	102.73	114.53	128.95
Net assets (BPS, yen)	949.63	1,040.22	1,155.80	1,196.92	1,312.55	1,422.60
Dividend (DPS, yen)	24	26	28	28	34	38
Major indicators						
Recurring margin (%)	6.5	5.7	5.8	5.3	6.2	5.9
Return on assets (ROA, %)	7.7	7.2	7.1	6.2	6.8	6.8
Return on equity (ROE, %)	10.3	9.9	9.6	8.7	9.1	9.4
Equity capital ratio (%)	38.3	38.5	41.3	40.8	40.7	40.1
Net D/E ratio	0.65	0.66	0.58	0.57	0.55	0.65
Payout ratio (%)	25.5	26.4	26.5	27.3	29.7	29.5
Non-financial information						
Consolidated number of employees as of fiscal year end (persons)	8,937	9,557	10,147	11,334	12,580	14,265
Number of consolidated subsidiaries	68	75	81	85	101	111

(Unit: million yen)	International Financial Reporting Standards (IFRS)				(Unit: million yen)
2018	Fiscal year	2018	2019	2020	2021
801,493	Revenue	742,288	809,083	806,630	888,668
43,580	Operating income	42,799	50,616	51,231	65,174
46,977	Profit before tax	42,111	49,830	49,651	64,230
26,468	Profit	30,139	33,526	30,410	46,263
78,526	Profit attributable to owners of parent	28,815	30,430	27,367	43,214
27,620	Capital investment	82,269	62,900	51,972	45,461
	Depreciation	30,776	34,994	39,033	43,378
56,690	Cash flows from operating activities	61,212	43,784	76,601	71,572
(88,804)	Cash flows from investing activities	(91,615)	(115,597)	(52,699)	(53,154)
40,905	Cash flows from financing activities	39,045	80,981	(20,889)	(6,622)
(32,114)	Free cash flow	(30,403)	(71,813)	23,902	18,418
	Fiscal year end				
783,047	Total assets	785,944	899,699	926,821	1,022,031
263,165	Interest-bearing debt	276,942	334,248	337,826	373,745
291,211	Total equity attributable to owners of the parent	278,053	331,992	357,797	395,131
	Per-share data				
(yen)	Basic earnings per share (yen)	147.33	147.43	120.98	191.06
135.34	Dividends (yen)	40	44	44	56
1,487.58	Issued shares at end of the year	198,705,057	229,755,057	229,755,057	229,755,057
40					
	Major indicators				
5.9	Operating profit margin (%)	5.8	6.3	6.4	7.3
6.4	Profit before tax margin on total assets (%)	5.7	5.9	5.4	6.6
9.3	Profit margin attributable to owners of the parent (%)	10.6	10.0	7.9	11.5
37.2	Ratio of equity attributable to owners of the parent (%)	35.4	36.9	38.6	38.7
0.79	Net D/E ratio	0.88	0.88	0.82	0.80
29.6	Payout ratio (%)	27.1	29.8	36.4	29.3
	Overseas sales revenue as a proportion of total sales (%)	5.0	6.9	8.6	8.6
	Non-financial information				
15,757	Consolidated number of employees as of fiscal year end (persons)	15,825	18,211	18,843	19,299
130	Number of consolidated subsidiaries*	112	125	124	127

*The number of consolidated subsidiaries only includes companies for which Air Water is directly in charge of consolidated accounting. Group companies for which our consolidated subsidiaries undertake consolidated accounting are excluded from the total. Please note that the above subsidiaries include joint operations.

Major Group Companies (as of October 1, 2022)

Company Name	Address	Contact Information	Major Business Activities
Regional Business Companies			
Air Water Hokkaido Inc.	3-1 Kita-Sanjo-Nishi, Chuo-ku, Sapporo, 060-0003, Japan	(+81) 11-212-2881	Sale of industrial gas and medical gas, LP gas, and related equipment
Air Water East Japan Inc.	3-18-19 Toranomon, Minato-ku, Tokyo, 105-0001, Japan	(+81) 3-3578-7817	Sale of industrial gas and medical gas, LP gas, and related equipment
Air Water West Japan Inc.	4-4-21 Minami-Semba, Chuo-ku, Osaka, 542-0081, Japan	(+81) 6-6252-1761	Sale of industrial gas and medical gas, LP gas, and related equipment
Digital & Industry			
Tateho Chemical Industries Co., Ltd.	4-2-5 Kandasurugadai, Chiyoda-ku, Tokyo, 101-0062, Japan	(+81) 3-5289-7272	Production and sale of magnesium oxide, fused magnesia, magnesium hydroxide, and ceramic products
NSCC Air Water Inc.	1-13-1 Nihonbashi, Chuo-ku, Tokyo, 103-0027, Japan	(+81) 3-3548-8571	Manufacture and sale of industrial gas (including onsite supply)
Air Water Materials Inc.	2-13-7 Hamamatsu-cho, Minato-ku, Tokyo, 105-8537, Japan	(+81) 3-3578-7200	Sale and export/import of semiconductor manufacturing chemicals, chemical industry chemicals, wire harnesses, and electric and electronic materials
Air Water Performance Chemical Inc.	1310 Omiya-cho, Saiwai-ku, Kawasaki, Kanagawa, 212-0014, Japan	(+81) 44-540-0110	Development, manufacturing, and sales of petrochemical products, inorganic industrial chemical products, carbon products, food performance materials, etc.
Japan Pionics Co., Ltd.*	3-3-32 Tamura, Hiratsuka-shi, Kanagawa, 254-0013, Japan	(+81) 463-53-8300	Manufacture and sale of gas purification equipment and flue gas treatment equipment
Air Water Mach Inc.	4009-1 Azusagawa-yamato, Matsumoto, Nagano, 390-1701, Japan	(+81) 263-78-5556	Manufacture and sale of industrial rubber products and resin products
Nihon Dennetsu Co., Ltd.	3788 Misatoyutaka, Azumino, Nagano, 399-8102, Japan	(+81) 263-87-8282	Manufacture and sale of electric heating devices and controllers for industrial applications
Air Water Gas Products Inc.	12-8, Minami-Semba 2-chome, Chuo-ku, Osaka, 542-0081, Japan	(+81) 6-7166-0760	Operation and maintenance of high-pressure gas production plants
Air Water Plant & Engineering Inc.	2-6-40 Chikko-Shinmachi, Nishi-ku, Sakai, Osaka, 592-8331, Japan	(+81) 72-244-8801	Design, production, sale and maintenance of various types of gas generation units and gas applications, and LNG-related equipment
AIR WATER INDIA PVT.LTD.	DLF IT Park-1 Tower-A, 11th Floor, Block-AF, Action Area-1, New Town, Rajarhat, kolkata-700156, West Bengal, INDIA	(+91) 33-6637-3900	Manufacture and sale of industrial gas
Energy Solutions			
Air Water Hydrogen Corp.	3-18-19 Toranomon, Minato-ku, Tokyo, 105-0001, Japan	(+81) 3-3578-7878	Manufacturing, sales, recycling, etc. of industrial hydrogen gas
Air Water Carbonic Inc.	4-21-3 Shinbashi, Minato-ku, Tokyo, 105-0004, Japan	(+81) 3-3431-9131	Manufacture and sale of liquid nitrogen gas and dry ice
Health & Safety			
Air Water Sol Inc.	47-1 Kanda Higashi-matsushitacho, Chiyoda-ku, Tokyo, 101-0042, Japan	(+81) 3-5207-3201	OEM supply of aerosol products, and manufacture and sales of its own branded products
Air Water Medi H, Co., Ltd.	2-12-3 Nishi-Gotanda, Shinagawa-ku, Tokyo, 141-0031, Japan	(+81) 3-5437-5951	SPD solutions and services for medical institutions
Kawamoto Corporation	2-6-4 Tanimachi, Chuo-ku, Osaka, 540-0012, Japan	(+81) 6-6943-8951	Manufacture and sale of sanitary products, medical supplies, etc.
Air Water Link Inc.	132-1 Takeda-mukaishiro-cho, Fushimi-ku, Kyoto, 612-8418, Japan	(+81) 75-694-1052	Sale and maintenance of medical equipment and medical materials, SPD business
Air Water Safety Service Inc.	3-2-16 Takatsukadai, Nishi-ku, Kobe, 651-2271, Japan	(+81) 78-992-1400	Installation of medical gas pipes, and design, manufacturing and sales of ventilators, extinguishing units, etc.
Agriculture & Foods			
Air Water Agriculture & Foods Inc.	4-13-14 Higashi-shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan	(+81) 3-6711-4340	Planning, import, purchase, development, and sale of hams, delicatessen products, side dishes, frozen vegetables, etc.
Gold-Pak Co., Ltd.	4-13-14 Higashi-shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan	(+81) 3-6711-4320	Manufacture and sale of fruit and vegetable juices and other beverages including some soft drinks
Kyusyuya Co., Ltd.	24-1 Koshino, Hachioji-shi, Tokyo, 192-0361, Japan	(+81) 42-676-3111	Operation of fruit and vegetable retailing stores in department stores, station buildings and shopping centers, and operation of supermarkets
Other			
Air Water Logistics Co., Ltd.	16-1-6 Tsukisamu-higashi 2 Jo, Toyohira-ku, Sapporo, 062-0052, Japan	(+81) 11-859-5300	Distribution of high-pressure gas, general freight, food, medical and environmental items, and distributive processing services
Nihonkaisui Co., Ltd.	4-2-5 Kandasurugadai, Chiyoda-ku, Tokyo, 101-0062, Japan	(+81) 3-3256-8311	Production and sale of salt and salt byproducts; environmental business, electric power business
East Japan AirWater Logistics Co., Ltd.	2-11-5 Shin-Yokohama, Kouhoku-ku, Yokohama, 222-0033, Japan	(+81) 45-478-6100	Distribution of high-pressure gas, general freight, food, medical and environmental items, and distributive processing services
West Japan AirWater Logistics Co., Ltd.	4-13-22 Nishinakajima, Yodogawa-ku, Osaka, 532-0011, Japan	(+81) 6-6889-8860	Distribution of high-pressure gas, general freight, food, medical and environmental items, and distributive processing services
HITEC HOLDING B.V.	Bedrijvenpark Twente 40, 7602 KB Almelo, The Netherlands	(+31) 546-589-589	Design, development, engineering, and maintenance of diesel rotary uninterruptible power supplies

*The name of Japan Pionics Co., Ltd. was changed to *Air Water Mechatronics Inc.* on January 3, 2023.

Corporate Profile (as of March 31, 2022)

Company Name	AIR WATER INC.
Head Office	12-8 Minami-Semba 2-chome, Chuo-ku, Osaka, Japan Tel: (+81) 6-6252-5411 Fax: (+81) 6-6252-3965
Established	September 24, 1929

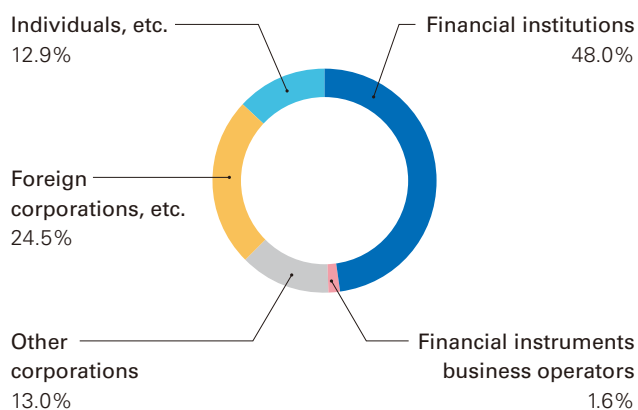
Paid-in Capital	¥55,855 million
Number of Employees	19,299 (consolidated)
URL	https://www.awi.co.jp/english/

Stock Information (as of September 30, 2022)

Stock information

Listed Financial Instruments Exchanges	Tokyo, Sapporo
Securities Code	4088
Manager of the Register of Shareholders	Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Fiscal Year	From April 1 to March 31
Annual General Meeting of Shareholders	Held in June every year
Record Dates	Annual meeting of shareholders: March 31 Year-end dividend: March 31 Interim dividend: September 30
Total Number of Issuable Shares	480,000,000 shares
Total Number of Issued Shares	229,755,057 shares
Number of shareholders	25,192

Distribution of shares by owner



Situation of principal shareholders

(as of September 30, 2022)

Company	Number of shares held	Ratio of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	33,272,400	14.53
Custody Bank of Japan, Ltd. (trust account)	14,700,500	6.42
Sumitomo Mitsui Trust Bank, Limited	7,936,000	3.47
Nippon Steel Corporation	6,900,000	3.01
Sumitomo Mitsui Banking Corporation	6,259,198	2.73
Air Water Customers' Stockholding	5,839,848	2.55
STATE STREET BANK AND TRUST COMPANY 505001	5,148,733	2.25
North Pacific Bank, Ltd.	4,574,473	2.00
National Mutual Insurance Federation of Agricultural Cooperatives	4,266,500	1.86
The Hokkaido Bank, Ltd.	4,113,097	1.80

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