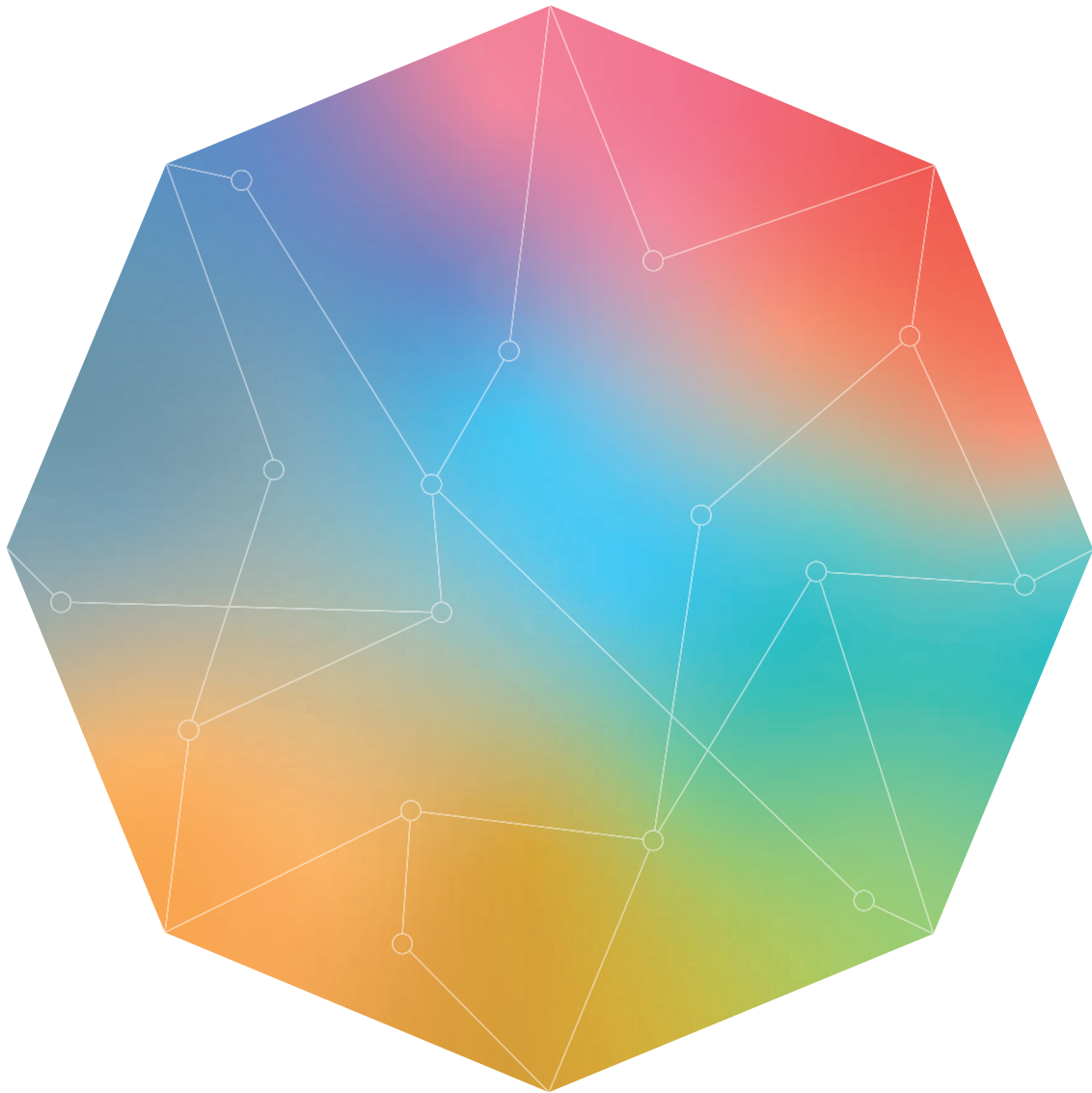


# Air Water Report 2021



Meeting society's needs with nature's blessings



## Management Philosophy

**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

In the Air Water Report 2021, to clearly convey the continued growth of the Air Water Group conglomerate, as well as its efforts in a diverse range of fields, the content centers on the social value the Group creates through its business.

In addition to formulating our Sustainability Vision for the year 2050, we have positioned the year 2030 as a milestone to coincide with the final year of the Sustainable Development Goals. The specific links between our ESG-based materialities (key challenges) and our SDG contributions can be seen in our Value Creation Model.

In putting together this report, we have referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).\*

\*The IIRC merged with the Sustainability Accounting Standards Board (SASB) in June 2021 to establish the Value Reporting Foundation (VRF).

\*Throughout this report, "ton," or its abbreviation "t," refers to a metric ton, i.e. 1,000 kilograms.

## SUSTAINABLE DEVELOPMENT GOALS



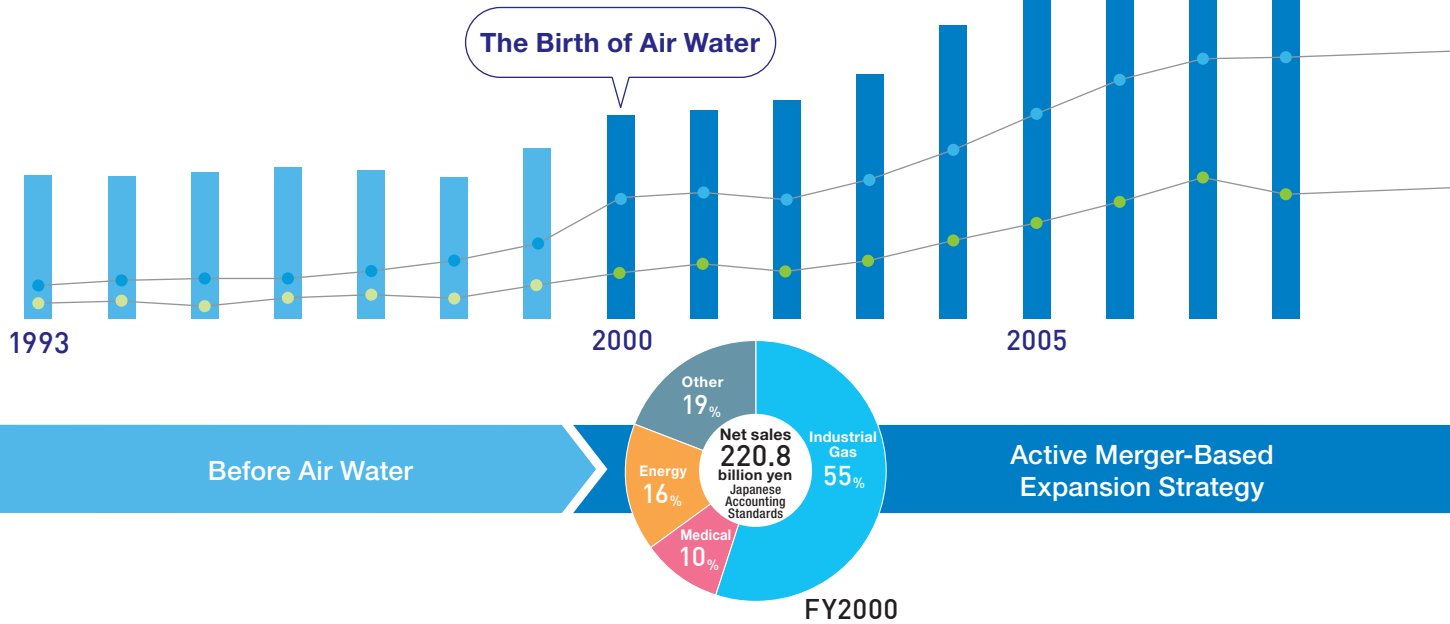
### Forward-looking Statements (Business Risk Factors, etc.)

The forward-looking statements in this Report regarding estimates of business performance and predictions of future developments reflect Air Water's judgments based on currently available information but do involve potential risks and uncertainties. Actual business performance could be significantly different from the projections made herein due to changes in various factors.

# History of the Air Water Group

## Pioneering business developments in each era to enrich society

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 with a common interest in air and water, and a shared sense of mission to contribute to innovation in industry and society. Later, proactive M&A activities served to strengthen our business foundations and expand our business domains. In addition to industrial gas and medical domains, we launched businesses in various other new fields such as agriculture, food products, and seawater. Since 2010, we have sought to expand our lifestyle-related businesses, such as “lifestyle medical,” enabling us to create an optimally balanced business portfolio covering industrial and lifestyle-related fields. Air Water will continue pioneering developments in each era to contribute to the creation of a better society.



### 1929 Hokkaido Sanso Co., Ltd. is established (Company renamed Hoxan Corporation in 1966)

**Aiming to save lives and help develop local industries**

In the years before the war, a certain individual passed away due to poor transportation conditions and the inability to receive sufficient oxygen inhalation. The deceased's elder brother, the then head of the Chamber of Commerce and Industry of Sapporo City, poured his efforts into founding Hokkaido Sanso Co., Ltd.



### 1933 Daido Sanso Co., Ltd. is established Founded with a desire for collaboration and a united front

At the time, the military-support industry was given priority access to oxygen and acetylene, and so both were difficult for small businesses to obtain. Daido Sanso was established when oxygen-using businesses decided to take matters into their own hands, and band together and produce it themselves.



### 1962 Kyodo Oxygen Co., Ltd. is established Supporting Japan's rapid economic growth with oxygen

Kyodo Oxygen was established in the midst of the Japanese economic miracle. Sumitomo Metal Industries established Kyodo Oxygen inside its Wakayama Ironworks to meet rapidly increasing steel demand, and the supply of oxygen for converter steelmaking began.



### 1955

**Sales of LPG begin**



To improve the quality of lifestyles that were centered on firewood- and coal-based cooking, the company began selling LPG for residential use in Hokkaido.

### 1983

**V1 high-purity nitrogen gas generator is developed**



At the time, demand for high-purity nitrogen—essential for semiconductor production—was rapidly rising. The company thus developed a unique production plant that could cool air using ultra-low temperature nitrogen. The mold-breaking technology was welcomed by the industry as an optimal gas supply system.

### 1988

**Industrial-use magnesia business is launched through investment in Tateho Chemical Industries**



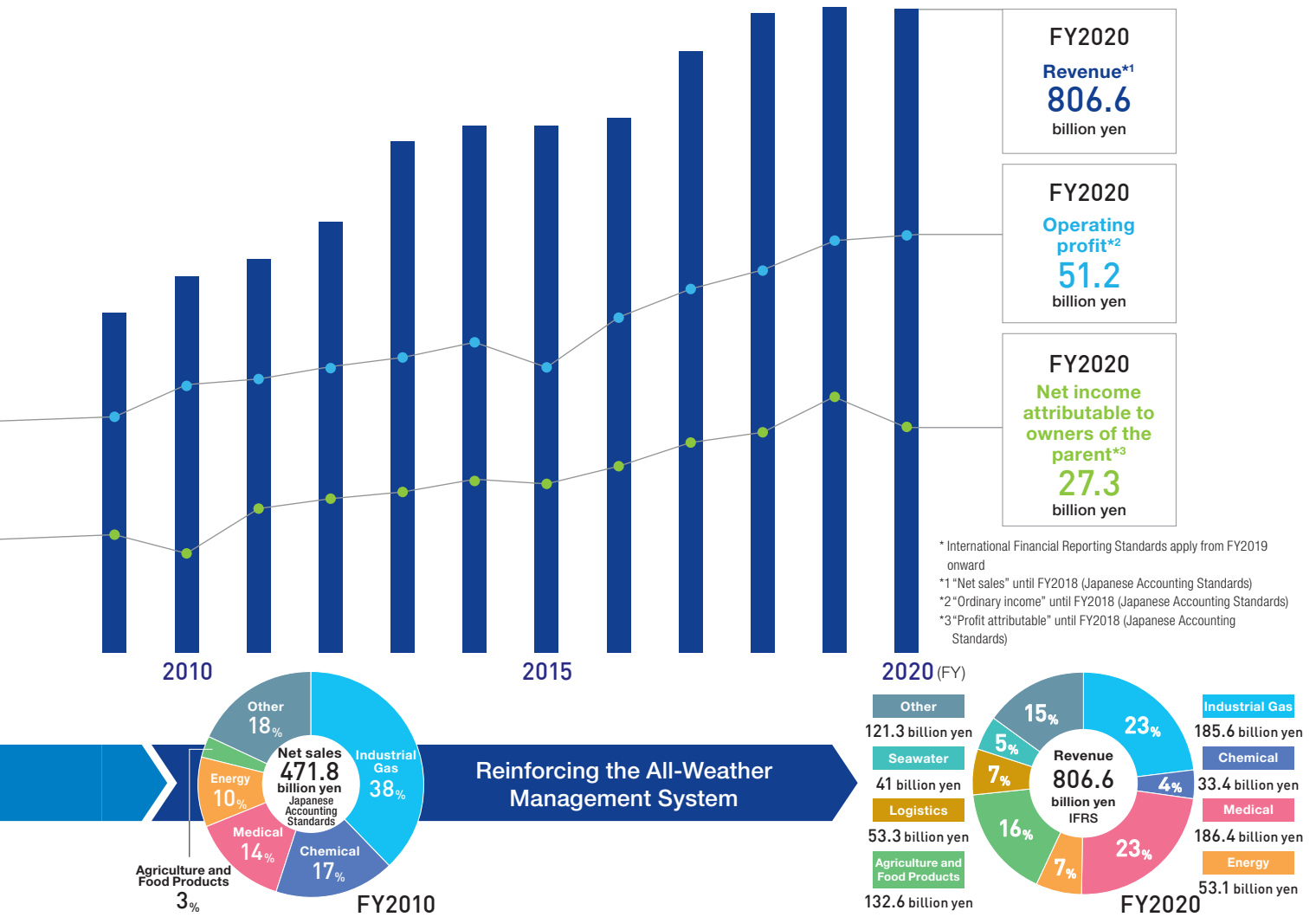
Air Water's investment in Tateho Chemical Industries—which produces various types of magnesia using bittern and mineral-based magnesia—was not only its first M&A; it also marked the launch of its seawater business.

### 1995

**Unified and joint management begins**



In addition to unified management, whereby the company established sales companies in each region to offer tailored sales and services and strengthen its downstream operations, the company also promoted joint management by emphasizing tie-ups with other companies. This unified management was the start of the regional business company system in the Air Water Group today.



## 2002

Agriculture and food products business is expanded



Upon inheriting the Hayakita Factory (in Abira Town, Hokkaido) from Snow Brand Foods, the company entered the ham and deli foods business and launched Saverur SS. This drove the rapid growth of the company's agriculture and food products business.

## 2004

No. 1 VSU unit (high-efficiency, compact liquefied oxygen/nitrogen production plant) begins operations



In establishing compact VSUs, which are regional liquefied gas plants unique to Air Water, the company achieved stable energy supplies, reduced energy use, lower CO<sub>2</sub> emissions, and improved business continuity. Unlike conventional methods, in which industrial gas mass-produced at large-scale plants would be transported long distances to areas of demand, this was a revolutionary gas supply model.

## 2015

Naphthoquinone-led quinone business launched



Having welcomed Kawasaki Kasei Chemicals, a comprehensive quinone manufacturer, into the Group, Air Water sought to utilize the new company's wide-ranging lineup of products and advanced, proprietary technologies to achieve synergy in the functional chemicals business.

## 2015

Power generation business using woody biomass begins



Air Water began its power generation business to secure its own power and ensure business continuity. Self-sufficiency also ensured a stable supply of industrial gas, which uses a huge amount of power when produced. Through Feed-in Tariffs, the power generation business will be a stable source of revenue for 20 years.

## 2016

Lifestyle medical segment begins in earnest



In 2016, the Air Water Group acquired Kawamoto Corporation and launched the sanitary products business. The Group's lifestyle medical segment began in earnest with the expansion of the dental care business. Thus began the Group's new, two-pronged medical business, comprising the advanced medical and lifestyle medical segments.

## 2019

Industrial gas business begins in India to enhance business foundation



Air Water entered the Indian market in 2013 with capital participation in a local Indian industrial gas company. Later, in 2019, it acquired industrial gas businesses in the east and south of India, establishing a firm business foundation in the country. Currently, the business in India caters to growing industrial gas demand from, among others, steel and automotive industries.



# Meeting Society's Needs with Nature's Blessings

Aligning with people and communities to support healthy lifestyles and quality manufacturing

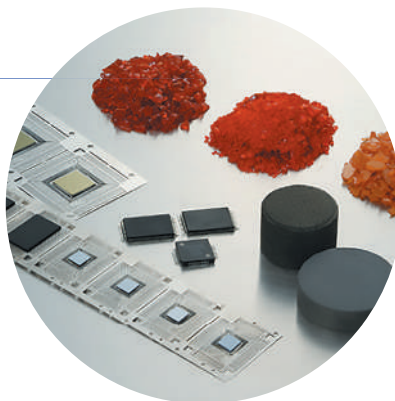
## Industrial Gas Business P. 27

Due to their unique characteristics, industrial gases such as oxygen, nitrogen, and argon are used in everything from manufacturing to everyday life and support the very foundations of society. Utilizing our nationwide sales and production network that extends from Hokkaido to Okinawa, we supply a diverse range of industrial gases in an optimal manner based on our customers' needs.



## Chemical Business P. 28

In addition to electronic materials, pharmaceutical and agrochemical intermediates, and circuits—products that make use of our long-accumulated advanced separation and synthesis techniques—we also offer a range of organic acid products courtesy of Air Water Performance Chemical (formerly Kawasaki Kasei Chemicals), the only company in the world to successfully produce quinone-based products, as well as phthalic anhydride on a commercial scale. In this way, we supply various high-value-added products based on the diverse needs of our customers.



## Medical Business P. 29

Not only do we supply medical gases, we also offer comprehensive medical solutions for everything from advanced medical care to everyday, general medical care. We are expanding our business domains to include the construction of operating rooms and other hospital facilities, respiratory and other medical equipment, SPD (Supply, Processing and Distribution), contract sterilization, and home healthcare, as well as sanitary products, injection needles, and dental materials.



## Energy Business P. 30

We launched the Energy Business in Hokkaido in 1955 with the goal of enriching people's lives. Today, we operate our LPG and kerosene businesses under the Hello Gas brand, still with the same aspiration. As a comprehensive energy service provider we are also engaged in various other energy businesses, such as supplying LNG, manufacturing and selling LNG tank containers and satellite supply systems, and retailing electricity.



The Air Water Group's purpose is to "meet society's needs with nature's blessings." It speaks of our strengths and the social value we provide, such as how our technologies, expertise, and business model combine seamlessly to transform air and water into a stable, sustainable supply of invaluable products, services, and solutions for industries and lifestyles. Indeed, it encapsulates our determination to serve as a valued partner, providing essential resources from the earth in ways that meet the requirements of all people, communities, and industries.



## Agriculture and Food Products Business P. 31

The Food Products Business, which started with the sales of frozen foods utilizing liquid nitrogen, entered the agriculture sector in earnest in 2009. We now handle everything from cultivation and procurement to processing and sales. We ensure a secure supply of safe food for consumers in three domains: processed agricultural products, including products such as ham, deli food, frozen food, and confectionery; beverages, where we have particular strengths in fruit and vegetable juices; and independent food and farming, covering produce retail and agriculture machinery.



## Logistics Business P. 32

We operate a comprehensive range of logistics businesses, including container transport between Hokkaido and Honshu, distribution services with warehouse functions, and the transportation of high-pressure gases such as liquid oxygen and nitrogen. Taking advantage of the low-temperature transportation technologies accumulated in these areas, we also offer food logistics for retaining freshness through nuanced temperature control, medical logistics for transporting blood (plasma), and even the manufacturing of vehicles.



## Seawater Business P. 33

Recognizing further potential in industries where air and water combine, we made a capital investment in Tateho Chemical Industries in 1988. Since then, we have pursued seawater as a business to effectively harness its resources and create an extensive range of products, including industrial and household salt (in which we have the dominant Japanese market share) as well as high-value-added magnesia products.



## Other Businesses (incl. Aerosol Business) PP. 34-35

Unique technologies and products such as aerosols, O-rings, ECOROCA® building material made from recycled wood, and NV metal surface treatments underpin the growth of the Air Water Group. We are also pursuing new businesses in order to drive the future growth of the Group, such as power generation using woody biomass, high-power uninterruptible power supplies (UPS), and our engineering and equipment ventures predominantly in North America.

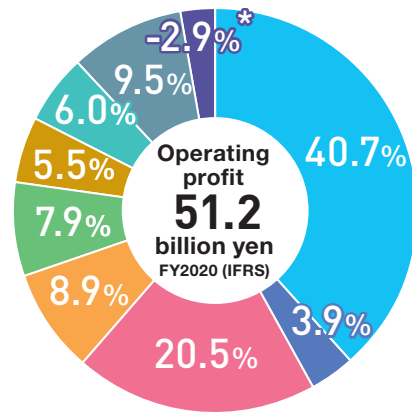
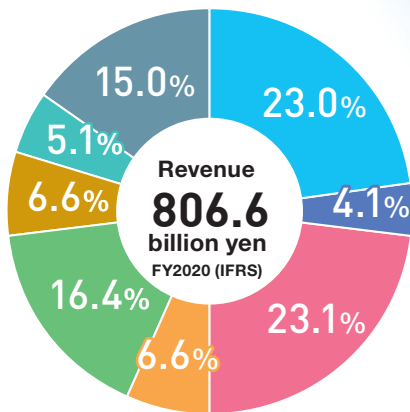
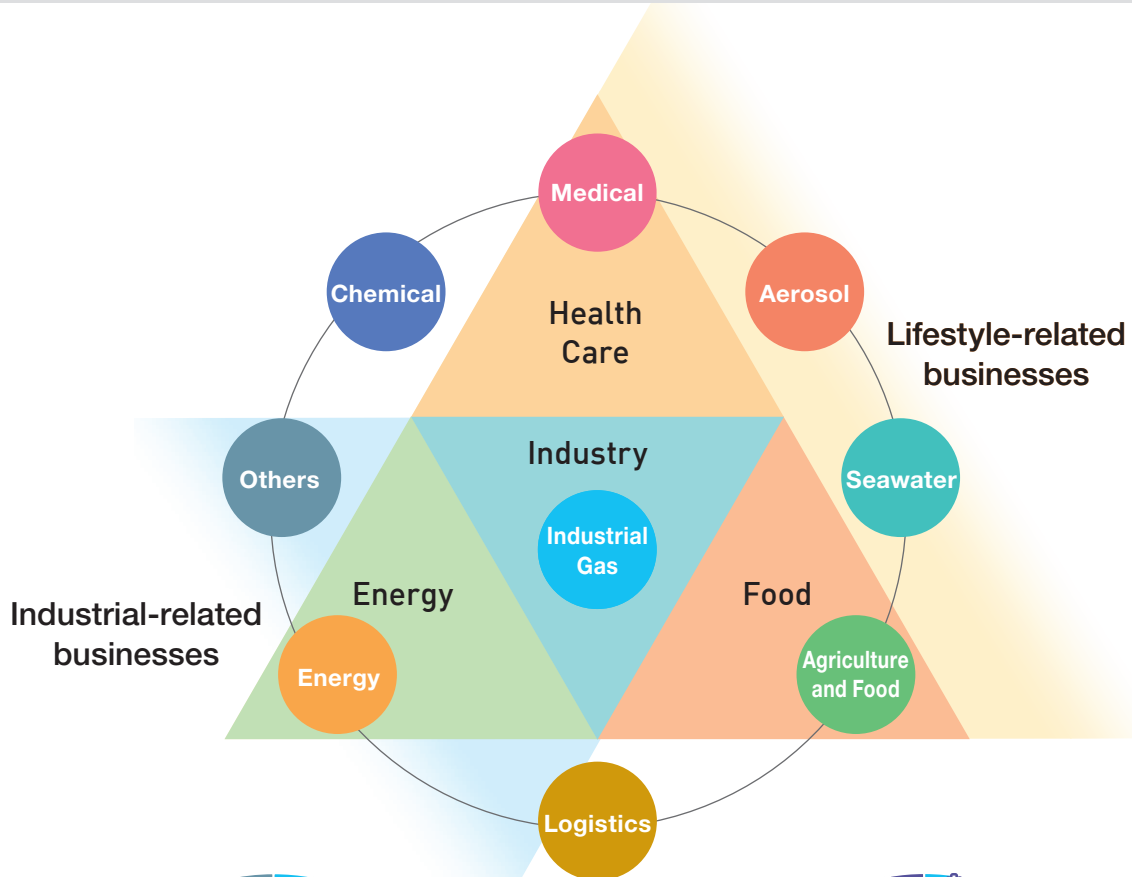
# Air Water's Management Resources

Since its founding, Air Water has combined its diverse air and water technologies, proprietary business models, and expertise to provide a stable, sustainable supply of invaluable products, services, and solutions that have become essential to people's lives and industry. Through proactive M&As and portfolio reforms, we have gone on to expand our business domains to create a better society. Looking ahead, we will use the strengths and management resources we have accumulated throughout our history, and further these strengths to enhance our corporate value from both a social and economic standpoint.

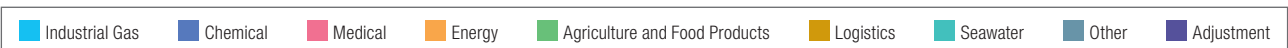
01

## A stable earnings structure courtesy of a diverse business portfolio

Through an optimally balanced business portfolio covering industrial and lifestyle-related businesses, we are able to achieve stable growth in any given environment.



\*Elimination of intersegment transactions and profit or loss of the company's Head Office divisions that are not allocated to each reporting segment.





# 02

## Market-leading products and services

Market-leading products and services in each of our business domains help to generate the earnings that allow us to make growth investments.



### Domestic share

Industrial Gas		Medical	Agriculture and Food Products	Seawater
Nitrogen <b>23%</b>	Oxygen <b>30%</b>	Medical oxygen <b>38%</b>	Contract production of vegetable drinks <b>41%</b> <small>*In-house research</small>	Industrial salt*1 <b>42%</b>
Argon <b>34%</b>	Dry ice <b>47%</b>	Installation of medical gas pipes <b>45%</b> <small>*In-house research</small>		Magnesia for oriented electromagnetic steel sheets*2 <b>33%</b> <small>*1 In-house research *2 In-house research on global share</small>

\*Source: 2021 Gas Georama in Japan, Gas Review

# 03

## A locally rooted business network

Our nationwide network of business sites allows us to drive growth strategies forward by combining locally rooted businesses with diverse business domains.



Domestic business sites

# 676

Industrial gas filling sites

# 65

Logistics and sales sites

# 97

# 04

## Technology and intellectual property

The technological resources we have accumulated through our diverse business domains allow us to add value to products and services and provide solutions that meet customer needs.



No. of researchers and developers

# 349

No. of patents

# 1,549

No. of current industry-government-academia projects

# 138

(As of October 2021; valid patents only)

# 05

## Diverse organizations and personnel

The Air Water Group is home to individuals with diverse experience and expertise. These individuals are utilizing their diversity to play active roles in a corporate climate that brings together an array of corporate cultures.



No. of employees (consolidated)

# 18,843

No. of M&As (from 2000 onward)

# 224

No. of overseas employees (in 18 countries)

# 4,386

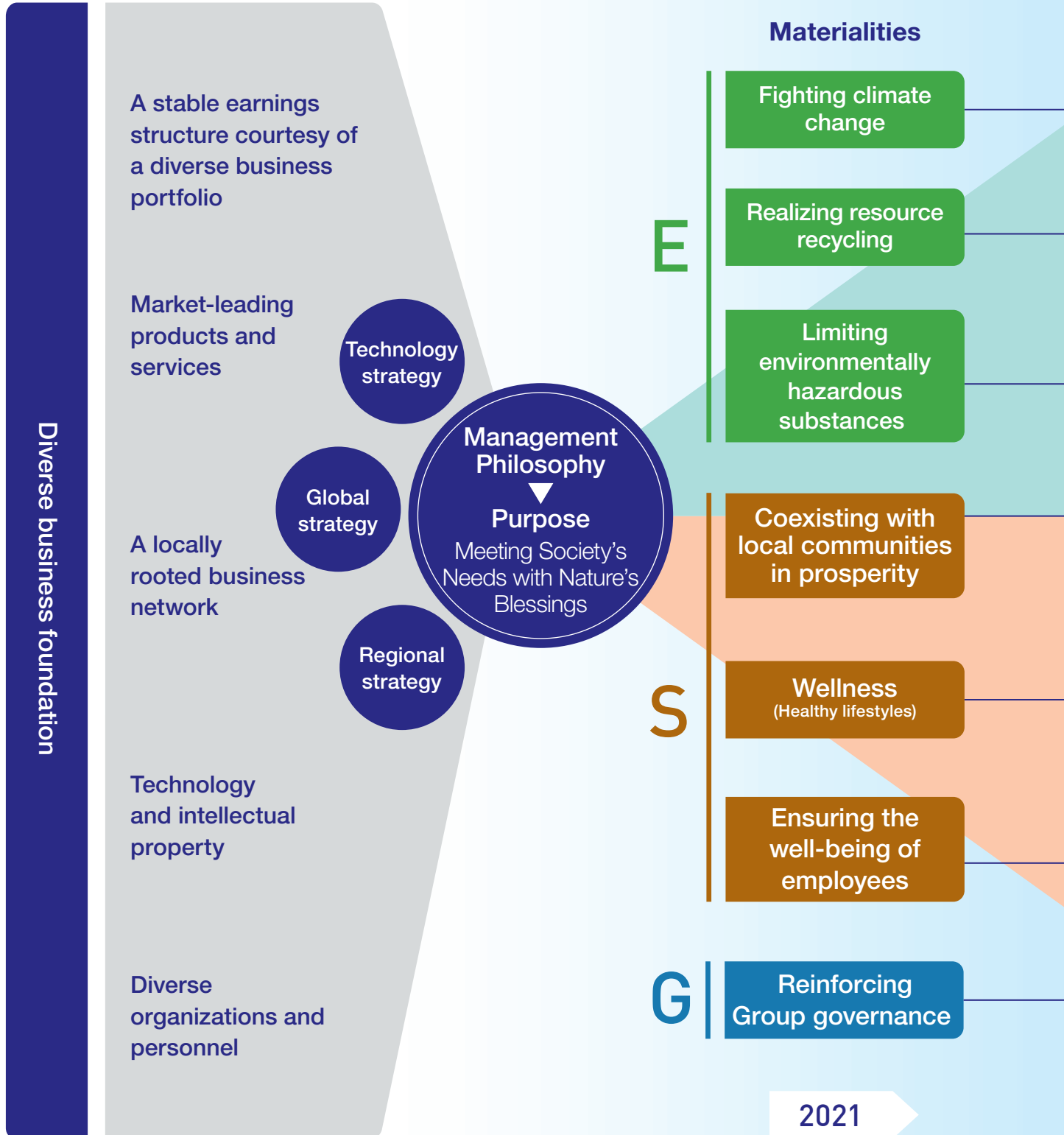
No. of engineers

# 290

\*Includes non-consolidated subsidiaries

# Air Water's Value Creation Model

In line with its purpose—Meeting Society's Needs with Nature's Blessings—the Air Water Group will utilize its diverse management resources to continue generating value. By providing solutions to society's problems through our businesses, we hope to work with local communities to create a global environment that promotes recycling. We will also aim to further health maintenance in today's aging society and promote social wellness in other ways.



**SDG milestones as we work toward 2050**



**Areas of contribution**

- Zero GHG emissions
- Use of 100% renewable energy
- Supply of local energy for local consumption
- Provision of collection, refining, and purifying systems
- Recycling of all waste
- Creation of recycling-oriented supply chain
- Protection of water resources and biodiversity
- Thorough management of chemical substances and zero use of plastics
- Provision of solutions to minimize natural disaster-related risks
- Contributions to regional revitalization
- Provision of products and services that contribute to improved social infrastructure and systems
- Promotion of smart factories and agriculture
- Provision of products and services that contribute to the advancement of medical care
- Provision of products and services that facilitate self-medication
- Provision of food products that are safe, reliable, and healthy
- ICT-driven workstyle reform
- Workforce diversity
- Rewarding workplace
- Corporate governance
- Thorough compliance and enhanced risk management
- Communication with shareholders and investors

**2030**

**2050**

**Ideal society**

**Decarbonized society**

**Resource recycling society**

**A society in which humanity and nature coexist**

**Smart society**

**A society with healthy longevity**

**Coordinate with local communities**  
**Global environment**

**The Air Water Group's Vision for 2050**

Sustainability Vision

**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.

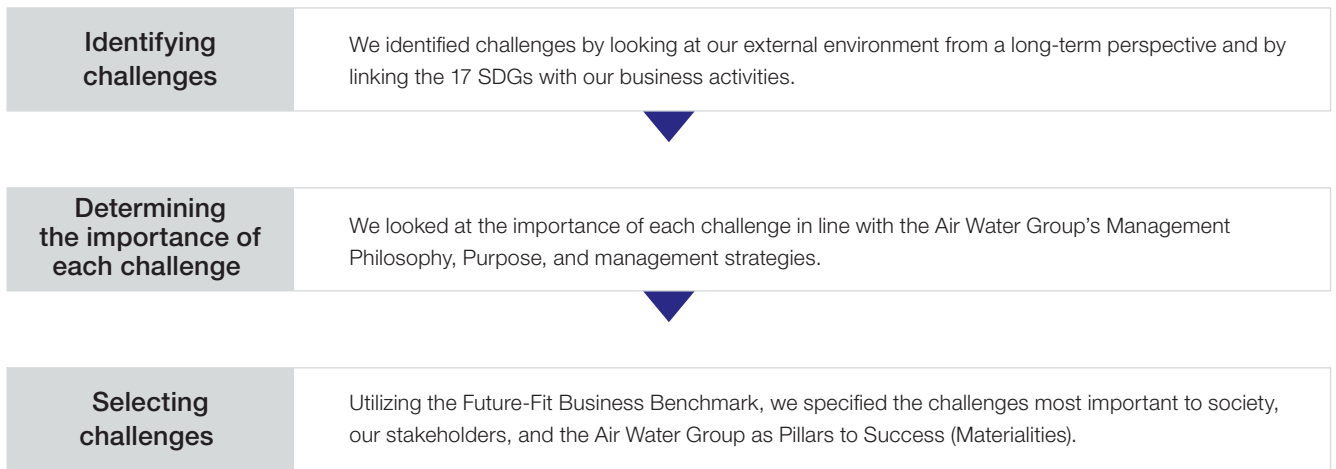
**Better lifestyles**  
**Wellness**

# Pillars to Success (Materialities)

As our management environment continues to change at dizzying speeds, to ensure we can achieve sustainable growth and continue to generate value for society, we are working to improve our medium- to long-term corporate value based on our Sustainability Vision for 2050. We have defined the seven key challenges essential to achieving this vision as Pillars to Success (Materialities), 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 (Materialities)

In selecting our materialities, 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 corporate value.

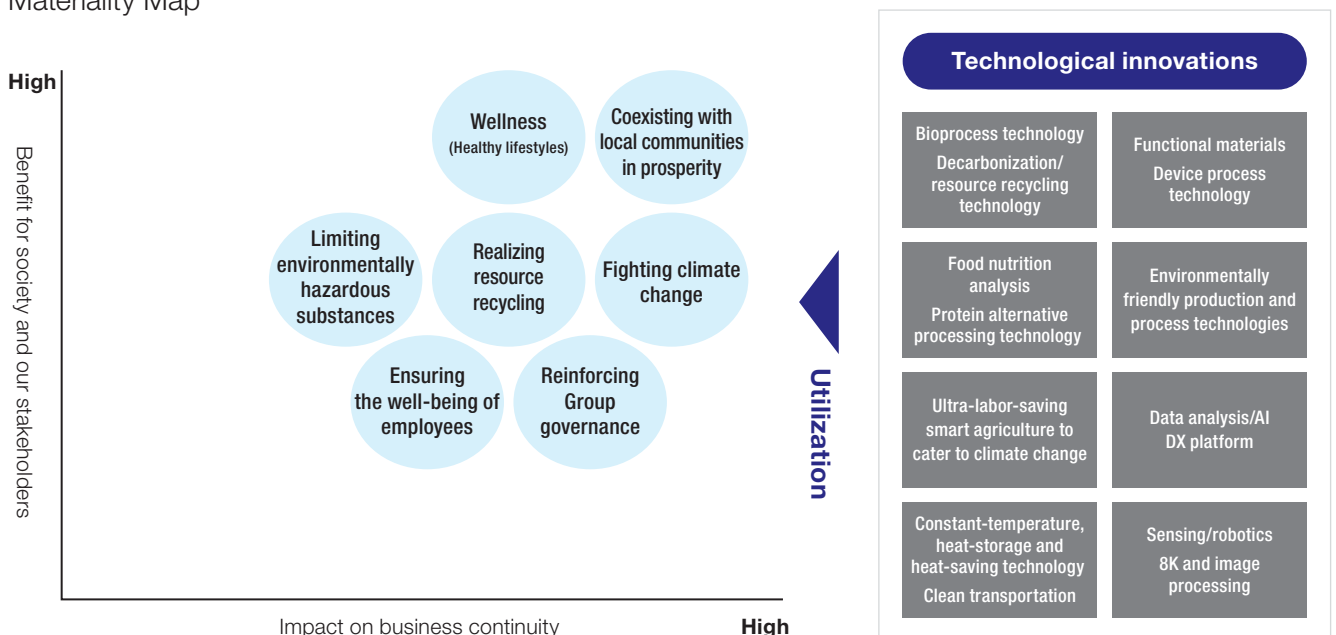


\*A KPI tool used to promote sustainable management developed and offered by the UK's Future-Fit Foundation.

## Designated Pillars to Success (Materialities)

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 diverse technologies to generate innovations, we will strive to make our ideal society a reality.

### Materiality Map





## Risks and Opportunities with Pillars to Success (Materialities)

Pillars to Success (Materialities)	Risks and Opportunities	Highly Relevant Business Domains							
		Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Logistics	Seawater	Other
Fighting climate change	<b>Risks</b> <ul style="list-style-type: none"> <li>Use of fossil fuels and tightening of CO<sub>2</sub> emissions regulations</li> <li>Shrinking of current energy markets and decline in demand due to energy conversions</li> <li>Negative impact on production activities and logistics functions caused by increasingly severe natural disasters (high waves, floods, etc.)</li> </ul>	●	●	●	●	●	●	●	●
	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Creation of a local-production local-consumption energy supply system using biomass</li> <li>Conversion from petroleum-based energy to low-carbon energy, and provision of related devices</li> <li>Provision of decarbonization solutions such as next-generation fuels (hydrogen and liquefied biomethane)</li> </ul>								
Realizing resource recycling	<b>Risks</b> <ul style="list-style-type: none"> <li>Tightening of waste treatment restrictions and increasing treatment costs</li> <li>Spread of environmental issues and risks due to the depletion of resources and population increases</li> </ul>	—	●	—	—	●	●	—	●
	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Provision of collection, refining, and purifying systems for industrial emissions (incl. collection and solidification of CO<sub>2</sub>)</li> <li>Reduction of waste through promotion of recycling and reuse</li> <li>Creation of a waste-recycling supply chain (treatment systems, etc., for food waste and livestock manure)</li> </ul>								
Limiting environmentally hazardous substances	<b>Risks</b> <ul style="list-style-type: none"> <li>Negative impact on material procurement and production activities due to droughts and worsening water quality</li> <li>Increase in costs in line with tightening of chemical substance restrictions</li> <li>Tightening of plastic restrictions</li> </ul>	●	●	—	—	●	—	●	—
	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Provision of waste gas refining equipment, water treatment equipment, and purification and treatment products for waste gas, wastewater, and soil</li> <li>Use of plastic alternatives in drinks containers and packaging materials</li> </ul>								
Coexisting with local communities in prosperity	<b>Risks</b> <ul style="list-style-type: none"> <li>Deterioration of regional economies due to declining populations (decreasing birthrate and aging population) and urban concentration</li> <li>Increase in severity of damage from natural disasters</li> <li>Increase in operation and maintenance costs due to aging social infrastructure</li> </ul>	●	—	●	●	●	●	●	●
	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Provision of solutions to minimize risks from natural disasters</li> <li>Provision of products and services that contribute to improved sewage systems and other social infrastructure</li> <li>Creation of businesses that increase regional employment and revitalize regional economies</li> <li>Growing needs for smart factories and smart agriculture</li> </ul>								
Wellness (Healthy lifestyles)	<b>Risks</b> <ul style="list-style-type: none"> <li>Increase in medical fees in line with extreme population aging and healthy longevity</li> <li>Changes in disease patterns, including chronic and complex lifestyle diseases</li> </ul>	—	—	●	—	●	—	—	—
	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Provision of products and services that contribute to the advancement and remote control of medicine</li> <li>Provision of products and services that enable self-medication</li> <li>Provision of delicious ingredients that are safe, reliable and healthy</li> </ul>								
Ensuring the well-being of employees	<b>Risks</b> <ul style="list-style-type: none"> <li>Drop in labor productivity and loss of personnel without appropriate measures</li> <li>Drop in employee health</li> <li>Diversification of employee values in line with globalization of business</li> </ul>	●	●	●	●	●	●	●	●
	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Promotion of ICT-based workstyle reforms and work-life balance</li> <li>Promotion of employee career development and diversity management</li> <li>Creation of a workplace environment where employees can work with peace of mind and good physical and mental health</li> </ul>								
Reinforcing Group governance	<b>Risks</b> <ul style="list-style-type: none"> <li>Business continuity risks and unforeseen losses in line with insufficient internal controls</li> <li>Loss of social credibility through compliance violations</li> <li>Insufficient risk management following M&amp;As and business expansion</li> </ul>	●	●	●	●	●	●	●	●
	<b>Opportunities (Countermeasures)</b> <ul style="list-style-type: none"> <li>Strengthening of internal control functions through integration and reorganization of subsidiaries</li> <li>Thorough compliance and enhanced risk management</li> <li>Improvement of stakeholder relations through better transparency</li> </ul>								



**Kikuo Toyoda**  
Chairman and CEO

## Considering the Next 10 Years as Our Third Start, and Promoting Sustainable Management to Fulfill Our Purpose

### Looking Back at Air Water's Growth Trajectory

Twenty years ago in 2000, despite different histories and cultures, a common interest in air and water saw Hoxan, Daido Sanso, and Kyodo Oxygen join forces to form Air Water. Prior to its launch, I was manager of the human resource department and oversaw two mergers, while post-launch, I took charge of the setting up and development of new projects as we sought to expand the scope of our medical business. In this way, I have closely followed the growth of the company. Looking back over the past 20 years, we have evolved through each successive ten-year growth stage. (See p. 3 "History of the Air Water Group")

In the first 10 years after our launch, we used the vertical

integration of our industrial gas business—a result of the merger—and our nationwide network to expand our industrial gas business to include carbon gas and hydrogen, while we also created new business domains in chemicals and seawater. In a sense, the first ten years allowed us to build our foundations. For the next ten years we set out our one-trillion-yen corporate vision. More so than ever before we proactively sought M&As, with a particular focus on expanding our lifestyle-related businesses, including medicine, agriculture, and food products. This latter period allowed us to grow into a conglomerate with diverse business domains.

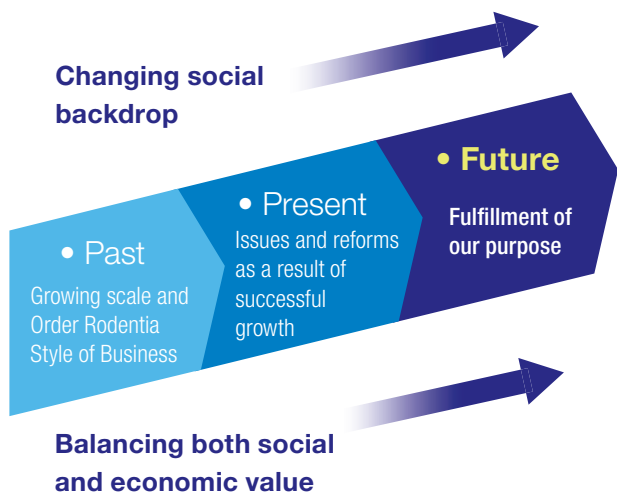
In this twenty-year period, our sales rose approximately fourfold while our profit increased fivefold, and our presence and standing grew significantly. If we look at our dealings outside the company, as of the end of October 2021, we have been involved in 138 technological development projects with those from the industrial, governmental, and academic sectors. With many opportunities for us to work with other corporations, universities, and regional governments, we continue to deepen and expand the scope of our interactions with society. Internally, we have built up a diverse workforce of varying specialties and skills in every domain, and it is these individuals who are helping to grow our technological fields and reinforce our stakeholder relations.

## The Next Ten Years

We have positioned the next ten years as our third start. That is, we will use the management resources we have accumulated over the past twenty years—our diverse businesses, technologies, and personnel—to advance our conglomerate management and achieve further growth. As we've lived alongside the pandemic, I've gained new realizations about the company's mission. The most important thing for us—that is, our *raison d'être*—is to, like air and water, become an essential element for people and communities, and to support healthy lifestyles and manufacturing. Our purpose is to meet society's needs with nature's blessings, and by pursuing the true value of our diverse businesses, I hope the next ten years can be spent enhancing the level to which we fulfill our purpose.

All of our businesses are in some way linked to healthy lifestyles. We aim to support the lives of consumers and local communities who use our products and services, and at the same time ensure that Air Water Group employees can maintain a healthy body and mind and work with a sense of fulfillment. As we aim to fulfill our purpose, I will go about managing the company with the strong belief that people and business go hand in hand.

**Our Purpose**  
**Meeting Society's Needs**  
**with Nature's Blessings**



I have come up with three concepts to determine the course of company management for the next ten years. The first is our mission, which is to generate synergy by combining our resources. Rather than simply utilizing our diverse businesses, technologies, and human resources individually, we will work to combine them to maximum effect in order to generate greater synergy. The second is our vision, which revolves around the global environment and wellness. Here, we will aim to achieve a recycling-oriented society through coexistence with society and the earth. The third is our keyword: From partial optimization to total optimization. To date, each of our businesses has grown through independent optimization based on our Order Rodentia Style of Business. However, we must switch from a quantitative to a qualitative approach in order for us to achieve further growth. To demonstrate the true value of our Order Rodentia Style of Business, we must now look at total optimization from a wide range of perspectives, including the course of action for our business.

## The Next Ten Years (2021–2030)—Our Third Start

<b>MISSION</b>	<b>Generate synergy by combining our resources</b> Utilize our diverse businesses, technologies, and human resources to tackle social issues and maximize corporate value
<b>VISION</b>	<b>The global environment and wellness</b> Achieve a recycling-oriented society through coexistence with society and the earth
<b>KEYWORD</b>	<b>From partial optimization to total optimization</b> Demonstrate the true value of our Order Rodentia Style of Business

Looking ahead, our basic policy for further growth is to reinforce the profitability of our domestic businesses, and use this robust, profitable foundation to expand our global businesses. In line with this policy, we will implement focused measures from three perspectives: advancement of our business organization, promotion of our domestic regional businesses, and expansion of our global businesses. Based on an entirely new business plan, in advancing our business organization we will utilize a market-based approach to exceed business boundaries and create new business opportunities. Elsewhere, the three new regional business companies we launched in 2020 will be at the center of efforts to drive our domestic endeavors, and we will work to reinforce growth and profitability through our regional businesses. Finally, we will use our overseas engineering capabilities to expand our global businesses, with a particular focus on our industrial gas business in India and North America. To ensure the above policies succeed, it is essential that we build a virtuous growth and investment cycle—that is, we must achieve growth through our investments, and use the capital earned through this growth for future investments. As such, we will carefully select our investments and strive to generate synergy in the process.

## Future Growth Strategies

### 1. Advancement of Our Business Organization

To make the major shift from partial optimization to total optimization, we are moving forward with the integration and reorganization of our 197 major Group companies (as of March 31, 2019) to expand the scale of both our companies and our businesses.

We are also making progress with the creation of a cross-functional foundation to improve groupwide activities. Thus far, we have created the Group Technology Center, which functions as our groupwide technological platform; the Gas Products Center, which serves to unify manufacturing, security, and logistics work in our industrial gas business; and the Engineering Center, which is the platform for our engineering personnel and technologies. Here, we are improving foundations to ensure total optimization of our technologies, gas manufacturing, and engineering, all of which are essential to our growth. In addition to developing and utilizing specialist personnel in each field, we look forward to these establishments playing key roles in the creation of new businesses, be it technology-driven businesses or comprehensive engineering businesses such as contracted plant operation. We are also working to strengthen foundations in logistics, procurement, and management. In logistics, we are strengthening our integrated management of logistics operations by shifting from leased warehouses to in-house warehouses, bringing warehousing operations in-house, and revising ways to optimize inventory. On the procurement side, we are working to optimize groupwide operations while prioritizing efforts to reduce environmental impact. In performance management, financial affairs, and governance, we are looking at ways to strengthen our structures by expanding from an individual company approach to a groupwide approach.

To build an even stronger business foundation while reinforcing our cross-functional operations, digital transformations are essential. The pandemic has enabled me to see just how behind we are with digital developments. By building a management framework for digital transformation, I hope to drive digitalization in business, workstyle reform, and sales reform. Digital transformation presents us with the ideal opportunity to streamline company management and promote data-driven management. As such, I will take the lead in efforts to drive groupwide digital reforms.

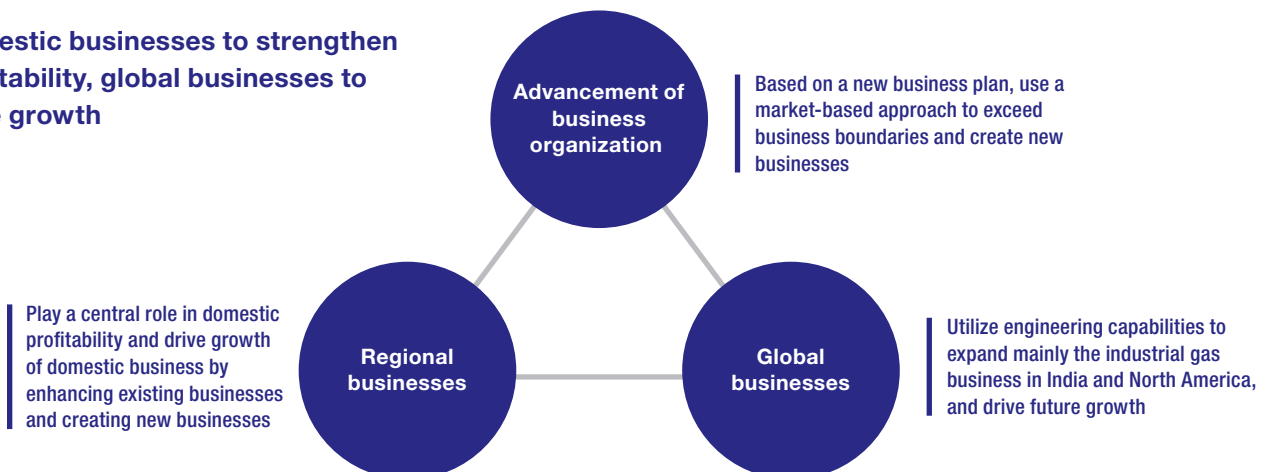
### 2. Enhancement of Our Regional Businesses

Our regional businesses are key to boosting profitability. Our founding businesses—industrial gas and medical gas—have long been driven by a direct-sales system. One of our biggest strengths is our ability to directly respond to the needs of our clients and local governments through a robust business foundation in each region. As the domestic manufacturing industry continues to mature, to grab hold of the remaining profit opportunities and link these to future growth, the key will be to provide new solutions that are ideally suited to our users' needs. In October 2020, we consolidated our eight regional business companies and launched three new regional business companies. As a platform for our regions, these business companies will utilize the Group's comprehensive strengths in diverse products and services to reinforce the profitability of existing businesses, and create new businesses that tackle the issues facing local communities. Each of these regional business companies—which will play a central role in driving our domestic businesses forward—has been assigned marketing, business planning, and other key organizational functions. Through unprecedented efforts to promote their independent growth, I look forward to these companies enhancing their presence and achieving 100 billion yen in sales.

### 3. Expansion of Our Global Businesses

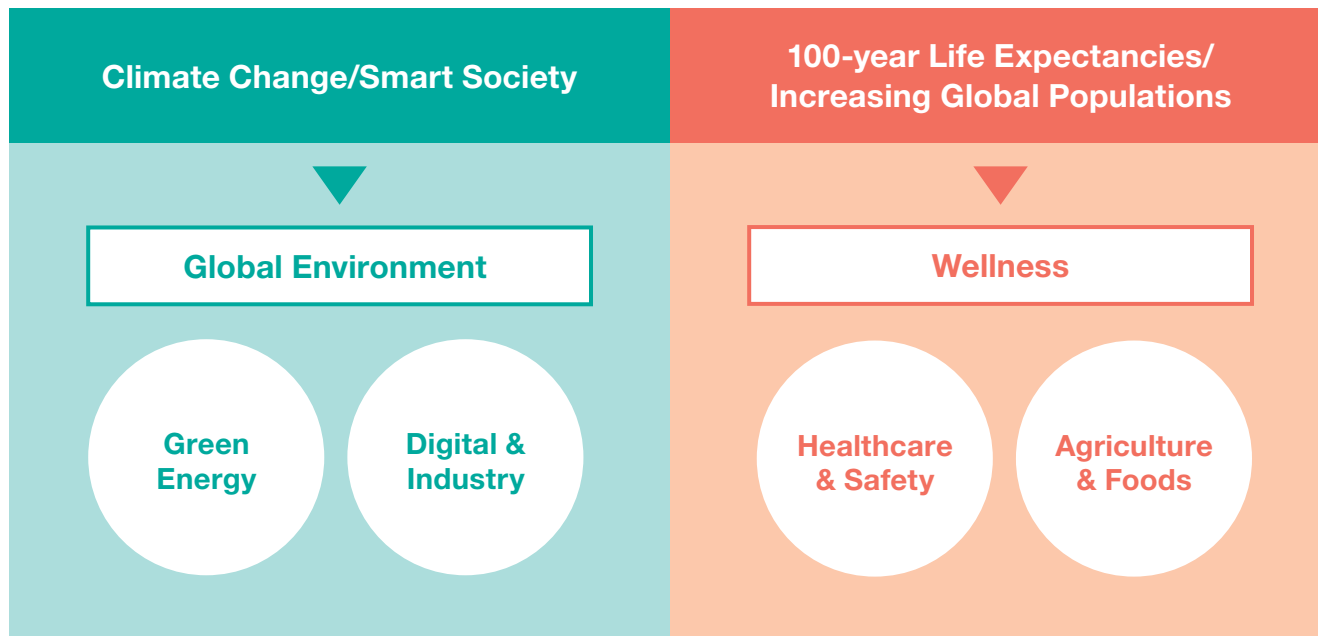
Powered by the strong profit foundation provided by our domestic businesses, our global businesses will help to drive the future growth of the Group. To date, we have acquired industrial gas businesses in India and enhanced our equipment and engineering business in North America, and these efforts have helped to build the foundations for future growth. Positioning India and North America as our key areas, we will aim to further strengthen our foundations in industrial gases and related equipment and engineering business, two domains in which we can showcase the strengths of our technologies and business models. We are also moving forward with the roll out of our medical business in India and Southeast Asia. With an eye on further expansion of our businesses in this way—through the careful selection of businesses and regions in which we can maximize our strengths—we will proactively examine M&As and collaborations with our business partners.

**Domestic businesses to strengthen profitability, global businesses to drive growth**





## Two Themes to Guide Us to 2030 and Four Business Domains Key to Achieving a Sustainable Society



See p. 36 “Business Plan for 2030” for a more detailed diagram

### Promoting Sustainable Management

Looking ahead to the social and management environments of the future, we anticipate a decarbonized society, a smart society thanks to rapid digital developments, the era of 100-year lives, and a global population that nears 10 billion. As such, the promotion of sustainable management, which places equal emphasis on social value and economic value, is essential.

On our path to date, we have grown into a conglomerate engaged in a diverse range of businesses. Looking ahead, rather than partial optimization—that is, the optimization of each individual business—we must look at what course of action to share as a corporate group so that we can maximize corporate value as a whole. Considering changes in society and the social value we should aim to provide, I believe “the global environment” and “wellness” can guide the course of our business. It is important that our existing businesses and new businesses can follow this course, tackle the issues facing society, and generate synergy to drive us toward further growth.

And so, to ensure the growth of the Air Water Group's diverse businesses, we have established four new business domains. For the global environment, we have set out Green Energy and Digital and Industry; for wellness, we have created Healthcare and Safety and Agriculture and Foods.

In the Green Energy domain, we will combine our business models and expertise to provide decarbonization solutions based on local production and local consumption. In the Digital and Industry domain, we will work to create groupwide synergy by combining industrial gases and chemicals and look to enter the electronics field, which saw huge growth as a result of the pandemic. In Healthcare and Safety, as healthy longevity becomes a social concern, we will create new businesses that support preventive medicine (including oral healthcare), health improvement, and disease prevention and treatment. In Agriculture and Foods, in anticipation of problems linked to global population increases and self-sufficiency, we will use our technologies to build a land-based aquaculture platform and create a sustainable food business. We will also develop an agricultural produce and distribution business using our nationwide logistics and regional business company network. As part of these efforts, in November 2021, we acquired Plus, a company that operates direct sales outlets for agricultural produce in the Kansai area. Through a new business structure that brings together our regional business foundation, logistics functions, and agriculture and food products business, we will aim to contribute to the revitalization of regional agriculture, and in the future, improve self-sufficiency rates and reduce loss from food waste.

## Boosting and Accelerating ESG Initiatives

As we promote sustainable management, as a matter of course, we will simultaneously strengthen our ESG initiatives, which are more important than ever.

For the environment, we will accelerate efforts to reduce CO<sub>2</sub> emissions as we aim to achieve decarbonization. Previously, our goal for 2030 was to achieve a 15% reduction in emissions over fiscal 2013. However, in line with decarbonization trends and requirements, we examined our emissions reduction methods from various angles, and now plan to raise our reduction target for fiscal 2030 to 30% (over fiscal 2020). In the long term, by 2050 we aim to become carbon neutral with net-zero CO<sub>2</sub> emissions. Measures to reduce our CO<sub>2</sub> emissions include equipment renewals and reduced use of energy through improved productivity. We will also strive to reduce our CO<sub>2</sub> emissions from electricity consumption by switching to power from renewable energy. At the same time, by stopping use of coal at our salt factories, we will aim to reduce emissions from coal combustion. Meanwhile, we will also move forward with technological developments and demonstrations for CO<sub>2</sub> collection and usage systems and biogas energy systems. At the Air Water Group, in August 2021 we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD), and will proceed with information disclosure based on its framework.

For society, we will place priority on strengthening our human resource initiatives. While building a corporate culture that promotes employee independence more than ever before, we will develop and utilize personnel with a firm focus on diversity and inclusion and digital transformation.

Elsewhere, previously our personnel systems have revolved around the simultaneous employment of new graduates, seniority, and lifelong employment. Moving forward, however, we will reexamine our simultaneous employment of graduates and actively look at hiring individuals mid-career to ensure we can

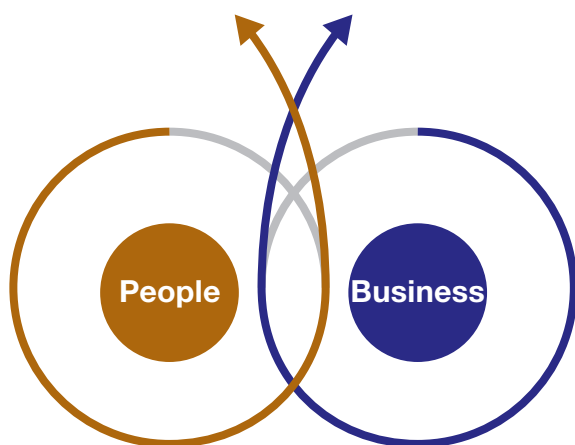
always acquire the necessary personnel. At the same time, we have set up the Air Water Group Talent Bank to discover, develop, and utilize personnel from across the Group, and through digital transformation initiatives, we will work to accumulate and make effective use of personnel data. As we have become a conglomerate through various M&As, not only does the Group have a mix of diverse corporate cultures, it also boasts a workforce with wide-ranging skills and industry experience. We have also been proactively hiring foreign personnel. Thanks to the above, we have developed a corporate culture that is highly accommodating of new trends. Moreover, we have improved our environments to promote women's participation in the workplace—in addition to promoting an optimal work-life balance, we encourage employees to take paternity leave, and provide systems to develop female managers. Through personnel system reforms, we will create unique systems and environments that will enable us to utilize our diverse personnel to maximize synergy.

As to corporate governance, in June 2020 we reduced the number of directors from twenty to nine in order to clearly separate supervisory and business execution functions. Of these nine directors, three are independent outside directors. While improving the decision-making and supervisory functions of the board of directors, this move has allowed operating officers from each department to move away from supervision and focus solely on business execution. To further strengthen our corporate governance, following the general shareholders meeting scheduled for June 2022, we are looking at establishing a nomination and compensation committee with independent outside directors making up the majority. Appointment and remuneration decisions to date have followed thorough deliberation at board of director meetings, including independent outside directors with specialist expertise and experience. Through the establishment of a nomination and compensation committee, the aim is to further enhance the independence, objectivity, and accountability of the board of directors concerning decisions on management and director remuneration and nomination.

For Group governance, while proceeding with the integration and reorganization of our domestic Group companies to improve profitability, we will work to strengthen our management and promotion structure mainly through the Global Management Office, which is responsible for strategic, specialist support of global business development, and efforts to enhance risk management and governance at our overseas subsidiaries.

To our valued stakeholders, I ask for your continued support and understanding of our direction and strategies as we seek to achieve growth over the next ten years.

### Fulfilling Our Purpose



**A combination of people and business**

*Kikuo Toyoda*

Chairman and CEO



## COO MESSAGE



**Kiyoshi Shirai**  
President and COO

## Boosting Profitability with Our Three New Regional Business Companies and Achieving Growth through the Electronics Domain and Our Businesses in India and North America

### Looking Back on Fiscal 2020

Looking back on fiscal 2020, although we felt severe impacts from the pandemic in the first half of the year, in the second half of the year we succeeded in capturing new demand in sanitary products, aerosols, and other infection prevention products, as well as in the energy, agriculture, and food products domains. In addition, our industrial gas business performed strongly in India thanks to continued strong demand from the steel industry, as well as in the electronics domain in Japan thanks to a prosperous semiconductor market. These factors combined with improved productivity brought about by workstyle and other operational reforms saw revenue decrease 0.3% year-on-year to 806.6 billion yen, operating profit grow 1.2% to 51.2 billion yen, and operating profit margin increase to a record high of 6.4% (an increase of 0.1%). Fiscal 2021 marks the final year of our current mid-term management plan NEXT-2020 Final. Although at the start we

targeted 1 trillion yen in revenue, 60 billion yen in operating profit, and 10.8% ROE, in line with our successful response to environmental changes caused by the pandemic, we have revised our full-year forecast for fiscal 2021 to 890 billion yen in revenue and 65 billion yen in operating profit, while we anticipate an operating profit margin of 7.3%.

In fiscal 2018, the year prior to the start of our mid-term management plan, we posted 42.8 billion yen in operating profit and an operating profit margin of 5.8%. Looking at both our results in fiscal 2020 and our forecast for fiscal 2021, we can see that our earnings structure has become significantly stronger in these three years. I believe this is a result of successful structural reforms in each of our businesses and initiatives aimed at total optimization.

## Steady Implementation of Growth Strategies

### 1. Domestic Businesses

To ensure further growth of the Air Water Group, our policy moving forward is to boost profitability in our domestic businesses and use this robust foundation to grow our global businesses. Responsible for driving domestic growth are our three new regional business companies: Air Water Hokkaido, Air Water East Japan, and Air Water West Japan. Our regional strategy (more details on which can be found on pp. 21–22) involves making maximum use of our business infrastructure—which includes our manufacturing, logistics, and sales sites—as well as our customer touchpoints and other marketing capabilities to build and strengthen partnerships and other initiatives with local governments and regional industries. At the same time, we will use the diverse businesses we have at our disposal as a conglomerate to go beyond the frameworks of our existing endeavors in industrial gas, medicine, and energy and further strengthen our profit structure, and create new businesses that can provide solutions to regional issues.

As we aim to advance our domestic businesses, the three centers we have established will play a key role in facilitating cross-functional activities. The Gas Products Center we built in April 2020, for example, is creating an integrated management system to control our more than 200 industrial gas plants both inside and outside Japan, all of which had previously been managed vertically. In these and other ways, the center is accelerating efforts to build a competitive manufacturing and supply system and streamline logistics in the industrial gas domain. We will continue to promote greater efficiency through total optimization in order to further enhance the profitability of our domestic businesses.

Initiatives are also underway for new business creation. To date, we have engaged in technological development for biogas plants mainly in Hokkaido. As a result, we have developed technologies for methane fermentation systems, biogas separation and purification, and the processing of biogas into liquefied biomethane. Using these technologies, we are building a sustainable, regional recycling-based energy supply model to recycle unused resources such as food residue and animal manure into energy. Part of these efforts have already been approved by NEDO.\* As social environments change in line with movements toward decarbonization, building energy supply models like these according to regional characteristics will not only allow us to make contributions to local communities, but will also underpin the future growth of our businesses.

\*New Energy and Industrial Technology Development Organization



A hydrogen farm in Shikaoi, Hokkaido

### 2. Global Businesses

Overseas, we have set India and North America as our key regions, with industrial gas, related equipment, and engineering as our key business areas.

The Indian government has announced measures to expand domestic annual production of crude steel to 300 million tons (approximately three times the current volume) by 2030. As a result, we forecast strong demand from the steel industry in line with further economic development in the country. Numerous plans for new blast furnaces are already underway. To lay the groundwork for rapid growth in our industrial gas business in India, in July 2021 we shifted to a local business promotion system run by a wholly owned subsidiary. Through more flexible decision-making and proactive capital investments, we will implement a range of growth strategies with large-scale on-site gas supply projects for steel manufacturers at the core. We will also look at extending our reach to the northern and western regions of India and work to capture gas demand in each area by expanding our gas manufacturing plants, filling stations, and other sites. At the same time, we will strengthen our downstream operations—that is, use of tank trucks and cylinders—to reinforce our industrial gas and medical oxygen supply business.

In North America, meanwhile, demand for hydrogen is growing in line with decarbonization movements, and hydrogen gas consumption is expected to grow from 11 million tons in 2019 to 17 million tons by 2030. In November 2021, we invested in FirstElement Fuel, Inc., a major developer and operator of hydrogen stations. Our aim is to make proactive contributions to the creation of a hydrogen supply chain in North America—in addition to engaging in the engineering business and in the manufacture and sale of low-temperature equipment for the storage and transportation of industrial gases, we are working alongside local gas dealers with a view to rolling out an industrial gas supply business.

### 3. Electronics

We have positioned the electronics market, which has seen huge growth as a result of the pandemic, as a growth driver for the entire Group, and we will combine our industrial gas and chemical domains to generate groupwide synergy. In our industrial gas business, we handle large-scale nitrogen gas supply systems, special gases and chemicals, gas refining equipment, and more. In the chemicals business, meanwhile, we possess outstanding technologies in electronic materials, circuit materials, and SiC (silicon carbide) substrates. In related domains, we also operate the O-ring business, which offers high-performance seal materials for semiconductor manufacturing equipment, and the high-power UPS business mainly for data centers. As Japan moves forward with measures to invigorate the electronics industry, major semiconductor manufacturers are boosting their production systems. At the Air Water Group, we will utilize our diverse technologies to meet their increasingly diverse, complex, and advanced needs, and boldly work to expand our businesses in the electronics domain.



## Financial Strategy and Shareholder Returns

Investments will be essential as we work to implement our growth strategies. Based on a stable profit foundation, we will proactively yet carefully move forward with growth investments and use ROIC as an indicator to improve our overall capital efficiency. By boosting profitability, we will increase operating cash flow and secure the capital for further growth investments.

### Financial Policies for the Next Ten Years

- 1 Boost profitability to generate operating cash flow**
- 2 Continue to invest in growth businesses, and carefully select investments**
  - IRR of more than 8% (consider country risk for overseas projects)
- 3 In principle, secure funding through debt financing (bank borrowings, straight bonds, etc.)**
  - Financial indicators  
Ratio of equity attributable to owners of the parent ratio: 35–40%  
Net D/E ratio: 0.75–1.2
- 4 Utilize ROIC to improve groupwide capital efficiency**
  - Use to assess capital investments, M&As, and R&D investments

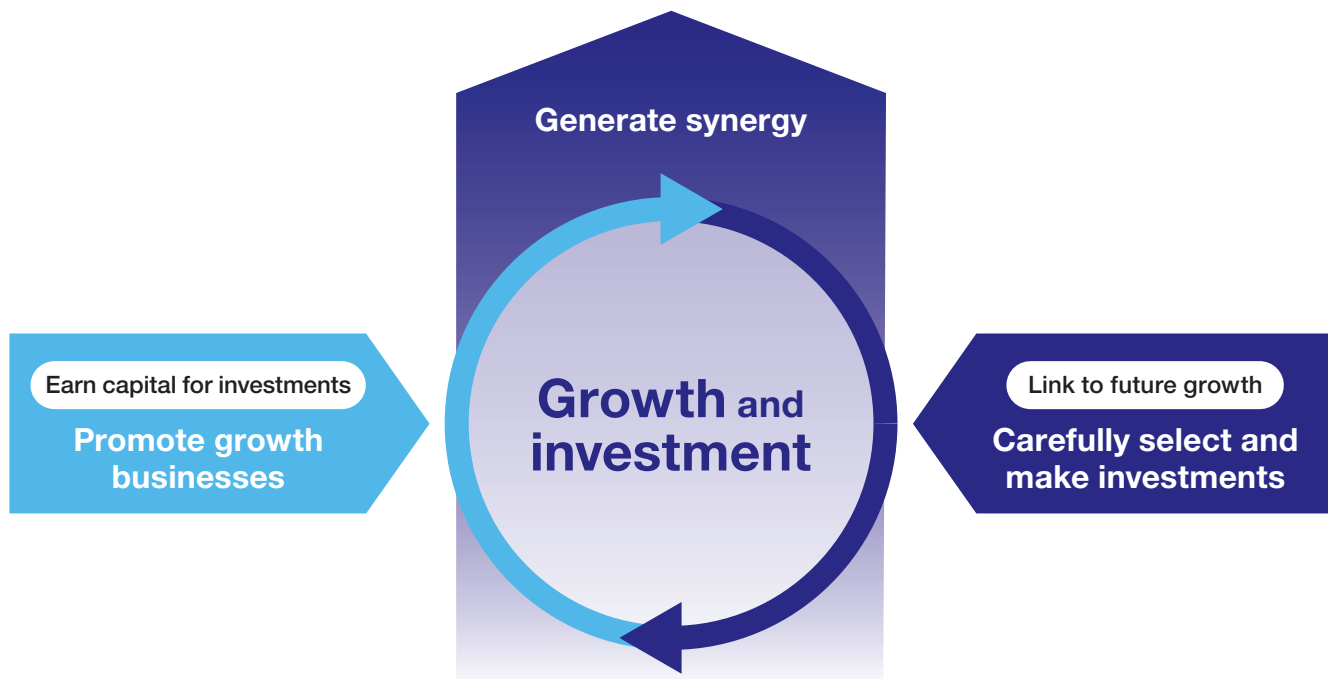
For investments, we will continue to carefully select growth projects that meet our requirements. For domestic projects, we will select those with an internal rate of return (IRR) of more than 8%, while for overseas projects, we will consider country risk on top of IRR. Meanwhile, our basic policy for funding is to do so through bank borrowings, straight bonds, and other debt financing. Our financial indicators in line with our investment strategies for the next ten years are as follows: Ratio of equity attributable to owners of the parent of 35–40% and a net D/E ratio of 0.75–1.2. Further, by using ROIC as an indicator for capital investments, M&As, and R&D investments, as well as to trace past investments, we will strive to improve capital efficiency across the whole Group.

Regarding shareholder returns, we are continuing to increase dividends in tandem with growing profits. Looking at annual dividends per share, we have overseen a 2.5 times increase from the 22 yen in fiscal 2011 to the 54 yen in fiscal 2021. At the Air Water Group, returning profits to shareholders is a key management task. While enhancing internal reserves to ensure we can make strategic investments aimed at medium- to long-term growth, we are targeting a dividend payout ratio of 30% of the net income attributable to owners of the parent. Our basic policy for the future is to ensure stable dividends in line with business results. Based on this policy, while reinforcing our management foundation to ensure continuous improvement of our corporate value, we will strive to enhance the return of profits to our valued shareholders.

*Kiyoshi Shinai*

President and COO

### Virtuous Growth and Investment Cycle



# Regional Strategy

## Our Regional Strategy

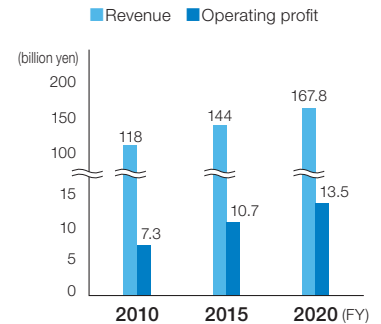
The Air Water Group's regional business company system began in 1995, when we established central sales companies in each region and began sales of predominantly industrial and medical gas, developing our business to cater to local communities. Compared to other industrial gas manufacturers, who generally entrust their downstream operations—that is, the supply of gas to small- and medium-scale users—to dealers and vendors, at the Air Water Group, we have taken a direct-sales approach since the dawn of the industrial gas industry, taking on filling operations, delivery, and maintenance in-house. In this way, we have established and expanded our sales offices, delivery hubs, and other regional business infrastructure nationwide. With such a wide range of applications for industrial gas, we are linking this network with customers from diverse industries.

To ensure sustainable growth as domestic markets continue to mature, it is paramount that we take in customer needs from a much closer position, and really consider the needs of the market as we advance our business. Further, using our community-oriented business foundations, and through careful organization of our diverse technologies, products, and services, we can create new businesses that respond to local issues and demonstrate the true value of the Air Water Group. The superiority of a company is apparent when it is required by and firmly rooted in local communities, and this superiority can drive sustainable growth.

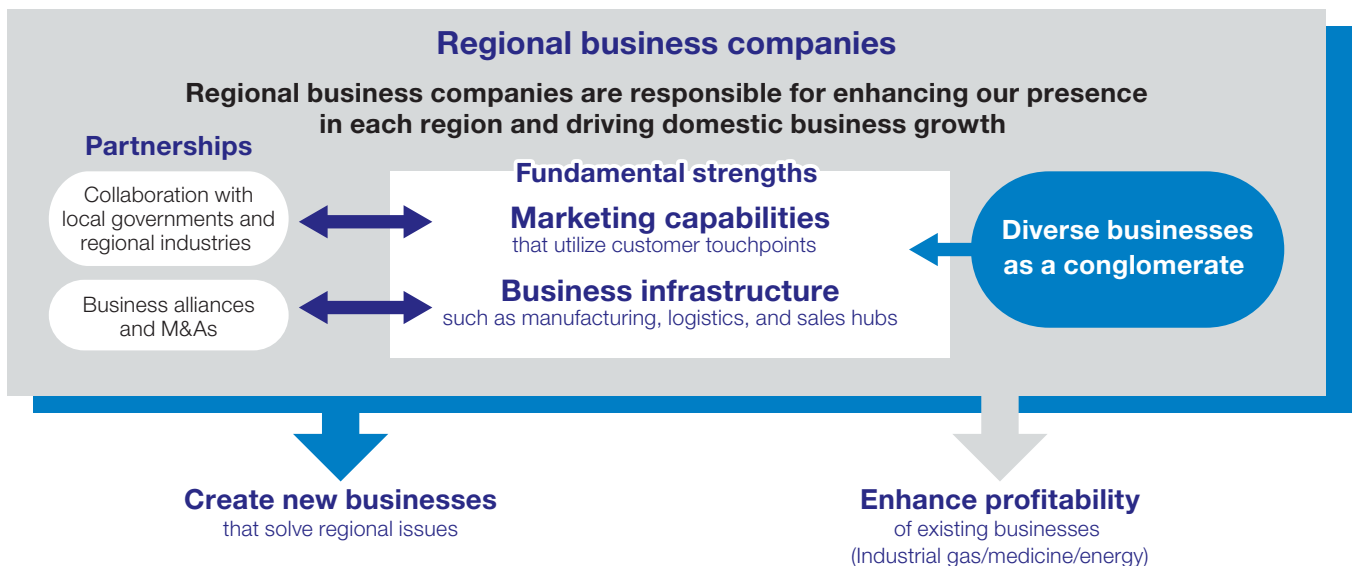
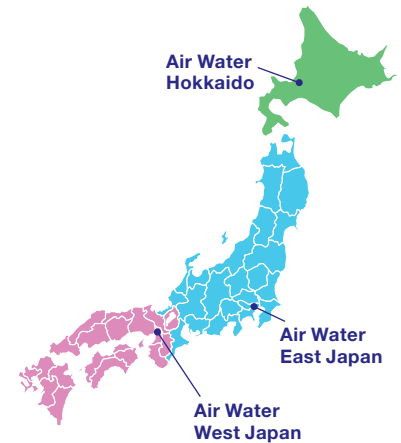
## Launch of Three New Regional Business Companies

To maximize the strengths of these regional business companies, and to ensure they form the foundations to propel domestic profitability and sustainable growth, in October 2020, we integrated our eight regional business companies and launched three new regional entities. In addition to internal audit and compliance departments, these companies each have their own departments for SDG promotions, technological development, business planning, and other specialist areas. Marketing and M&A functions, which were previously controlled by Air Water HQ, have been moved to each regional business company, and thus we have established a system through which each of these companies can function independently and with a sense of speed.

## Regional business company results



\*Net sales and operating profit for FY2010 and FY2015 are based on Japanese Accounting Standards



## Roles of Our Regional Business Companies

Utilizing our production sites—such as VSUs—filling stations, logistics hubs, and other business infrastructure, our regional business companies aim to undertake more efficient business management from a much closer position to our customers. In doing so, the aim is to boost the profitability of our existing businesses, including industrial gas, medicine, and energy. Further, while fully understanding customer requirements and considering the needs of each market, our regional business companies will organize the Air Water Group's diverse businesses, seek collaboration with local governments and regional industries, and make use of external resources through M&As. At the same time, they will mobilize the Group's operational hubs, technologies, personnel, and ideas to create new businesses that solve regional issues.

## Features New Businesses in Our New Regions

### Aiming to Provide Solutions to Agricultural Issues —The Launch of Hokkaido Air Water Agri Corporation

Hokkaido is home to a quarter of Japan's arable land and boasts the largest farming area in the country. In April 2021, we launched Hokkaido Air Water Agri Corporation. The company has three main missions. The first is to produce, procure, process, and add value to Hokkaido's outstanding agricultural produce, and deliver it nationwide. The second is to reduce the burden on farmers through contract farming, and build a farming management business through the establishment of an agricultural corporation, capital investments, and consolidation. The third is to research, develop, and commercialize a range of technologies, including those that increase work and labor efficiency, boost productivity, and transform food residue into animal feed. On top of solving the issues facing farmers in Hokkaido, the aim is to elevate the agriculture and food products business into Air Water Hokkaido's fourth business pillar, and ensure the company can develop and grow alongside its local communities.



### Creating Clean Energy Businesses in Line with Regional Characteristics —A Project to Manufacture and Use Biogas Made from Livestock Manure

In Hokkaido, Japan's largest dairy farming region, livestock manure has traditionally been treated as industrial waste. At Air Water, we are moving forward with initiatives to use this manure to manufacture biogas which can be used as a regional energy source. We have already developed a dry-type self-sufficient methane fermentation system for small-scale dairy farmers and are working to spread its use among dairy farmers in Hokkaido. Elsewhere, we are holding demonstrations of a system that can manufacture and supply liquefied biomethane—which can be used as an LNG alternative—using surplus biogas from dairy farmers that was previously released into the atmosphere. We are also demonstrating a technology that can manufacture hydrogen, methanol, and formic acid from biogas and put them to effective use as regional energy sources. In this way, as we aim to build a sustainable, carbon neutral society, we are creating a range of regional recycling-based energy supply systems that maximize the characteristics of each region.



### Establishing Regional Agricultural Produce Businesses Using Our Food Distribution Network —Welcoming Plus Co., Ltd. into the Air Water Group

In November 2021, we acquired a 51% stake in Plus, consolidating the company into the Air Water Group. Plus manages 28 agricultural produce shops, known as Yottette, in Wakayama, Osaka, and Nara. Through these direct sales outlets, Plus offers sales support to farmers, provides high-quality, reasonably priced produce, creates jobs, and promotes local production for local consumption. In doing so, it has created a business model that benefits all parties. The Air Water Group's value chain covers everything from the procurement to the development, processing, and sales of agricultural produce. By adding new value to this value chain—a local production for local consumption model—and by using its nationwide food distribution network and locally rooted regional business companies, the Group will aim to expand these sales outlets into other regions and create a regional agricultural business that helps to reduce food loss and improve self-sufficiency rates.



## Regional Business Company Overview

### Air Water Hokkaido Inc.

Representative	President Yuji Kitagawa (Managing Executive Officer, Air Water Inc.)
Head office	3-1 Kita Sanjo-nishi, Chuo-ku, Sapporo, Hokkaido
Capital	2 billion yen
Revenue	72.2 billion yen
Operating profit	5.5 billion yen
No. of employees	1,493
No. of sites	195

### Air Water East Japan Inc.

Representative	President Tsuyoshi Tanaka (Managing Executive Officer, Air Water Inc.)
Head office	3-18-19 Toranomon, Minato-ku, Tokyo
Capital	2 billion yen
Revenue	64.9 billion yen
Operating profit	5 billion yen
No. of employees	962
No. of sites	51

### Air Water West Japan Inc.

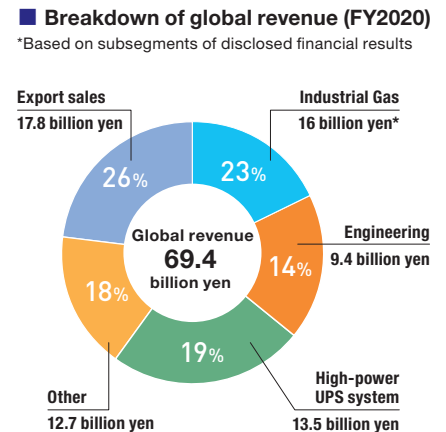
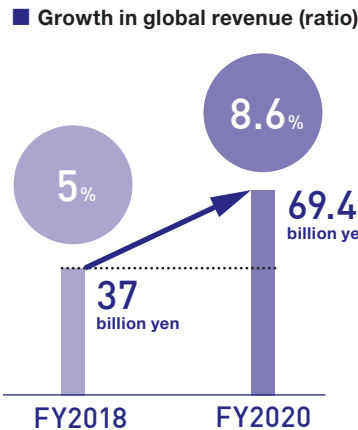
Representative	President Toshinobu Doshi (Managing Executive Officer, Air Water Inc.)
Head office	4-4-21 Minami-semba, Chuo-ku, Osaka
Capital	2 billion yen
Revenue	51.1 billion yen
Operating profit	4.4 billion yen
No. of employees	651
No. of sites	56

\*Revenue, operating profit, and no. of employees are simple aggregates and include all related subsidiaries, etc. (current as of March 31, 2021).

# Global Strategy

Air Water's basic policy moving forward is to reinforce the profitability of its domestic businesses through regional strategies and the combination of its diverse business domains, and to make use of this strong profit base to implement investment strategies that will help grow its global businesses. We anticipate growing markets and high profitability in our global businesses and will use them to drive overall growth.

We will work to further expand our global businesses using our outstanding engineering capabilities, with a particular focus on the industrial gas business in India and North America.



## Direction and Strategy of Global Business Expansion

In the same way as in Japan, underpinned by our industrial gas and engineering businesses—which are fundamental to ensuring a robust profit base and business diversification—we will collaborate with knowledgeable local partners to create new businesses that utilize our technologies and business models to pursue business expansion. We have already secured a business foundation and generated profits in our industrial gas business in India and our engineering business in the US. Elsewhere, we will focus on the rapidly growing high-power UPS business and, following on from the success of our industrial gas business, the medical business.

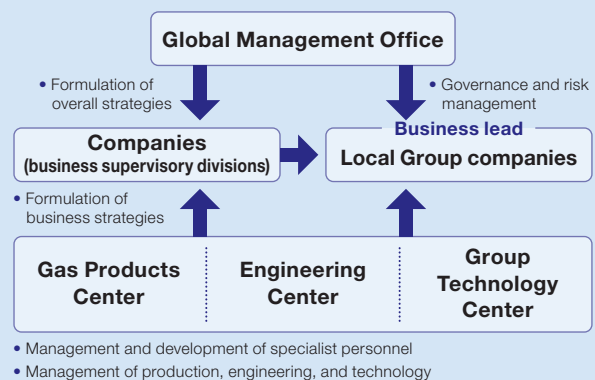
Business Segment	Key Regions	Key Measures	Medium-term Direction
Industrial gas	India	<ul style="list-style-type: none"> <li>Acquire on-site projects for blast furnaces and expand external sales</li> </ul>	<ul style="list-style-type: none"> <li>Expand business area to northern and western regions</li> </ul>
Engineering	North America	<ul style="list-style-type: none"> <li>Expand engineering businesses, such as the hydrogen equipment business</li> </ul>	<ul style="list-style-type: none"> <li>Establish an industrial gas supply business based on our US VSU strategy</li> <li>Establish a hydrogen energy supply business in the hydrogen supply chain</li> </ul>
High-power UPS system	Global	<ul style="list-style-type: none"> <li>Expand business by capturing demand from data centers</li> </ul>	<ul style="list-style-type: none"> <li>Expand business through collaborations with electronics businesses</li> </ul>
Medical	Southeast Asia (Singapore and India)	<ul style="list-style-type: none"> <li>Expand hospital equipment business mainly in Singapore</li> </ul>	<ul style="list-style-type: none"> <li>Roll out medical business in India and Southeast Asian regions</li> </ul>

### Major Group Companies tasked with leading business management

Business Segment	Group Company	Date of Acquisition	Main Business Activities
Industrial gas	Air Water India	July and December 2019	Manufacture and sale of industrial gas
	Taylor-Wharton America	November 2018	Manufacture and sale of delivery-use low-temperature equipment
Engineering	Air Water-AMCS	May 2018	Industrial gas plant engineering
	Hitec Power Protection	July 2019	Manufacture and sale of rotary-type high-power UPS systems
High-power UPS system	Power Partners	August 2018	Engineering and maintenance for high-power UPS systems
	Globalwide International	June 2017	Design and installation of hospital interiors and facilities

## Global Business Promotion System

The Global Management Office is responsible for decisions on the direction of the Air Water Group's global strategies, as well as governance and risk management at global Group companies. Elsewhere, the Engineering Center, which supervises groupwide engineering operations; the Gas Products Center, which integrates management of industrial gas manufacturing; and the Group Technology Center, which functions as the Group's technology platform, serve to support our global strategy through the management and development of the technologies and specialist personnel needed overseas.



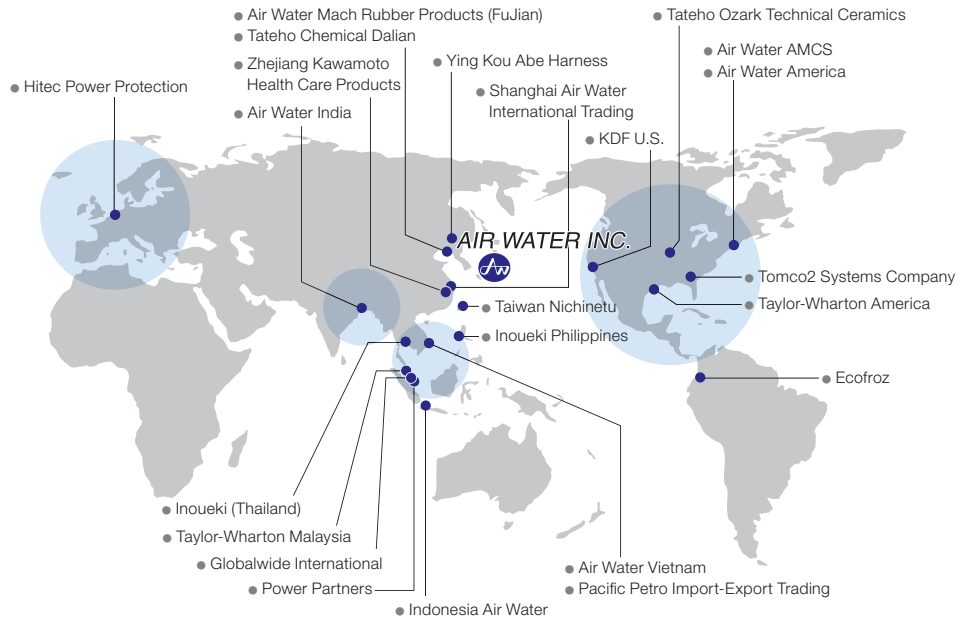
## Air Water Group Global Operations (As of March 2021)

### Business sites

**67** sites in **18** countries

### Workforce

**4,386**



## Industrial Gas Business (India)

### Accelerating Business Growth in India against a Growing Steel Industry

In India, we launched a tank truck and cylinder business in 2013 and acquired an on-site gas supply business for steelmakers through an M&A in 2019. In this way, we have firmly established our position as an industrial gas manufacturer in the country.

The Indian government has announced measures to expand domestic annual production of crude steel to 300 million tons (approximately three times the current volume) by 2030. As a result, we forecast strong demand from the steel industry, with numerous plans for new blast furnaces already underway.

In July 2021, we shifted to a local business promotion system run by our wholly owned subsidiary Air Water India, allowing us to be more flexible in our investment strategies than ever before. Based on the full lineup of gas manufacturing plant technologies that we have accumulated in Japan, which are suitable for small- to large-scale facilities, we will seek to expand our on-site gas supply business, including for steelmakers. We will also move forward with the creation of a network of industrial gas manufacturing and delivery infrastructure to cater to strong gas demand and, with a view to expanding into the country's northern and western regions, continue expanding our industrial gas business in India.



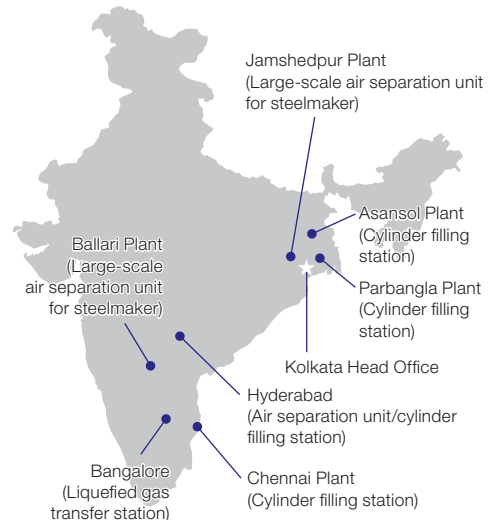
### Basic Policy for Business Expansion

#### East and West India:

**Acquire large on-site gas supply projects for steelmakers**

#### North and South India:

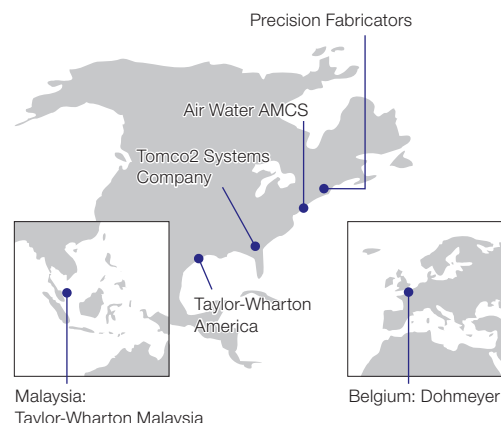
**Expand our Merchant business site**



## Engineering Business (North America)

### Creating a Foundation for the Engineering Business and Building a Hydrogen Supply Chain

With a view to pursuing the industrial gas supply business, in North America we are working to build an equipment and engineering framework by expanding our unique product lineup, including air separation plants, low-temperature equipment for industrial gases, and carbon dioxide equipment. Further, while reinforcing our engineering functions and providing solutions, we are working to increase our presence and build partnerships with dealers in the industrial gas market in the US, and in turn create forward momentum for our gas supply business. We are also engaged in efforts to build a hydrogen supply chain using our hydrogen equipment and engineering capabilities as a foothold.





# Technology Strategy

At the Air Water Group, our technological development capabilities help to add value to our products and services and create solutions that meet customers' needs. These capabilities are also paramount for forming strategies for global business development and M&As. As we look to achieve further growth over the next ten years, the importance of our technological development has never been greater, and so we will continue to reinforce our capabilities to ensure future growth.

## Creating a Sound Material-Cycle Society through Two Key Axes: The Global Environment and Wellness

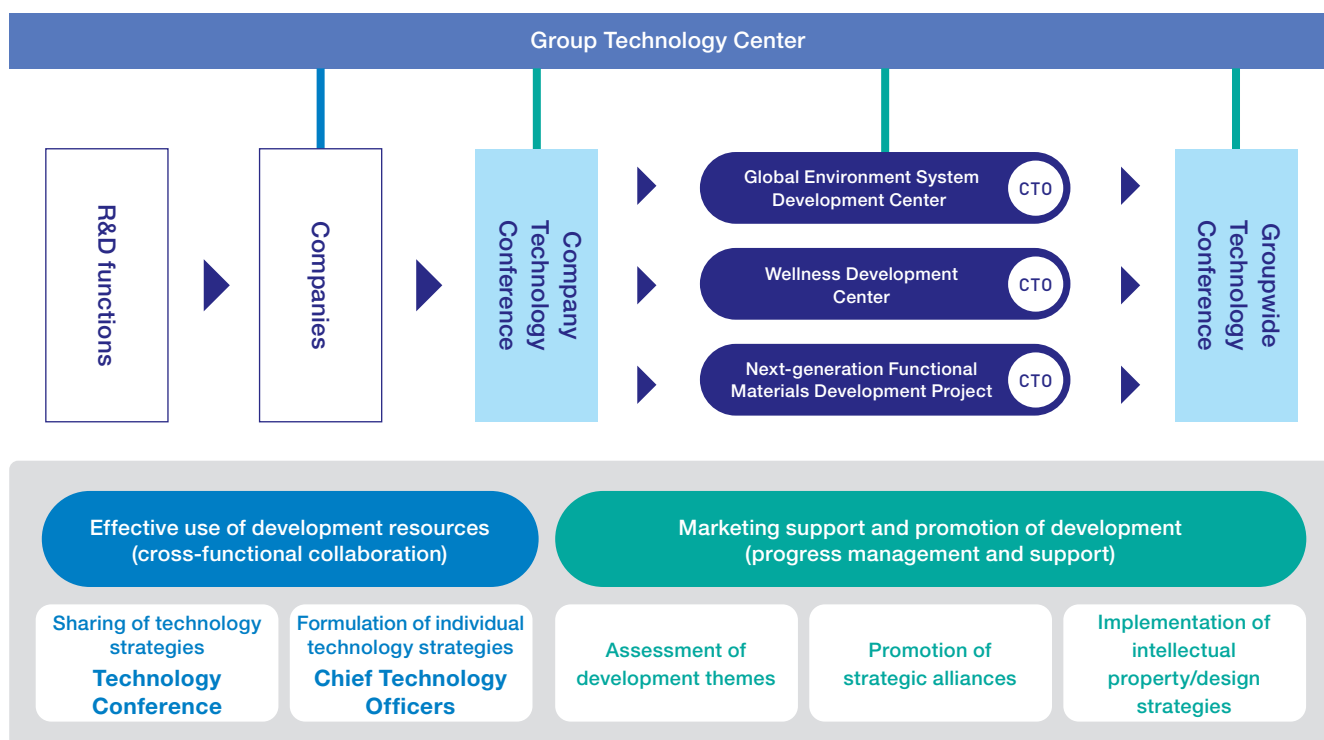
There are more than 34 R&D departments in the Air Water Group, with each undertaking research and development in a wide range of fields. The Corporate Technology Strategy Center (currently the Group Technology Center), which we established in February 2020, serves as the Group's technology strategy platform, and facilitates cross-functional collaboration and provides progress management and support. In doing so, the Center promotes effective use of the Group's R&D resources and supports marketing and development activities.

We are currently moving forward with technological development based on two axes: the global environment business and the wellness business. In the former, we are developing technologies mainly for sustainable food—to cope with population increases and ensure a stable source of food—the decarbonization of energy, and resource collection and utilization. In the latter, we are working with local governments and others in our regional communities to develop smart healthcare technologies, home care solutions, and disaster preparedness and medical platforms, all of which can help to solve social issues. Eight underlying technologies, including those for bioprocesses, food nutritional analysis, and protein alternative processing, are fundamental to supporting the above businesses, and we are currently making progress with five key projects.

Further, to promote cross-functional operations, we are working to better visualize in-Group development themes and existing technologies. Specifically, we are carrying out development assessments and hosting AW Today (to announce development themes) and groupwide technology conferences. Ultimately, through collaboration with management and business heads, we are building an efficient, fast-moving development structure to drive groupwide growth strategies from a technological standpoint.

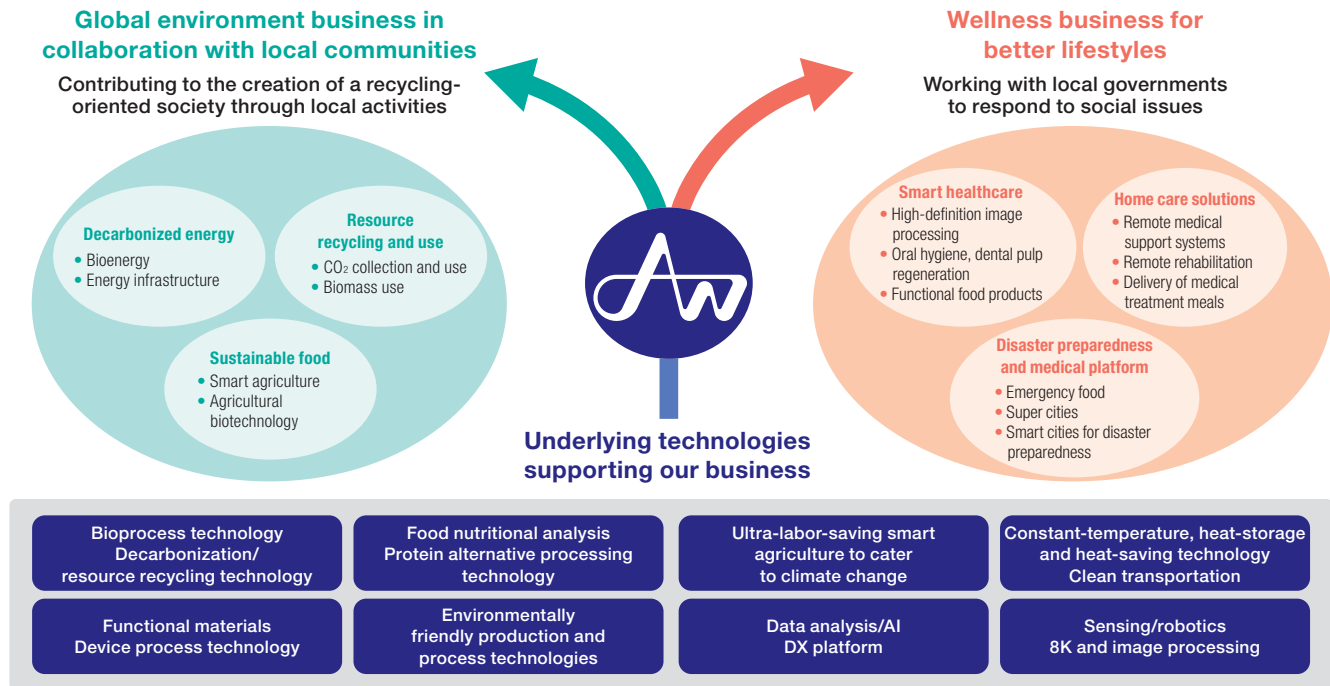


**Keita Hara**  
Director, Group Technology Center  
Managing Executive Officer



## Mid- to Long-term Technological Development Themes

Based on eight underlying technologies, we are engaging in technological development related to two key axes: the global environment and wellness.



### Five Key Projects

- CO<sub>2</sub> Collection System Commercialization Project**  
Development of an on-site CO<sub>2</sub> separation and collection system for waste gas
- 8K Camera Commercialization Project**  
Provision of solutions that use 8K imaging technologies (combining image processing, analytical technologies, and network infrastructure)
- X-ray FPD Commercialization Project**  
Promotion of social implementation of low-radiation, high-precision X-ray detection technologies for medical and industrial use
- Marine Foods Commercialization Project**  
Roll out of a land-based aquaculture business using the Group's strengths in artificial seawater and oxygen supply
- Kento Project**  
Promotion of open innovation aimed at creating new wellness businesses

At the Northern Osaka Health and Biomedical Innovation Town (KENTO), which straddles the cities of Suita and Settsu, we will newly construct the open innovation facility Air Water Kento (provisional name). Through this facility, which we aim to open in the first half of fiscal 2023, we will seek to contribute to healthy longevity through the creation, development, and communication of new wellness businesses that will be key to ensuring health in the era of 100-year lives.

In combining the Air Water Group's accumulated expertise in medicine, welfare, nursing care, agriculture, and food, we will work to create links with our communities and other businesses to generate innovation. Through long-term business activity at KENTO, we will strive to coordinate and collaborate with various other institutions to form new medical "clusters," promote healthy longevity, and contribute to regional economic development.

#### Scheduled initiatives

- Joint development with the National Cerebral and Cardiovascular Center using advanced technologies such as VR, AR, and MR, and joint development with the National Institute of Health and Nutrition on products that can improve health through daily meals
- Use of the facility to create new businesses through interaction with local companies, and to offer a space where locals can engage in health-based interaction and information exchange



Artist's impression of Air Water Kento (provisional name)



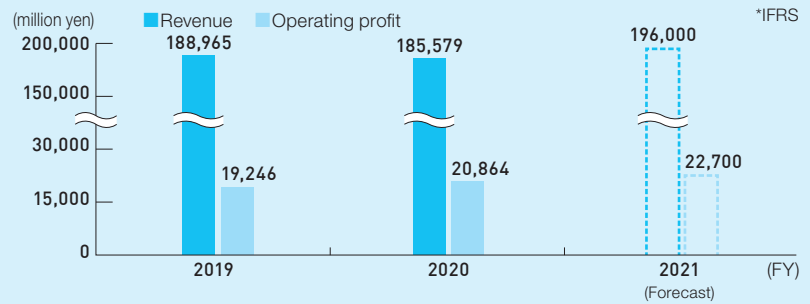
# Industrial Gas Business

In the Industrial Gas Business, we will aim to function as a shared platform for our customers, markets, and regions both in Japan and overseas. We will seek expansion and growth through our electronics and global businesses, and improved earning power through our domestic regional businesses. To improve our earning power, we will reinforce our making capacity through an enhanced infrastructure network, and boost our selling capacity through our new regional structure. We will proceed with the transformation of our business portfolio based on the above.

Yoshio Shiomi  
President, Industrial Company  
Executive Vice President



## Revenue and operating profit



## Review of FY2020

In Japan, growing semiconductor demand in a wide range of fields, including for data centers, smartphones, computers, and automotive applications, saw major semiconductor manufacturers expand their facilities and boost production volumes. As a result, gas supply for electronics manufacturers performed strongly. Elsewhere, results continued to suffer in our on-site gas supply for steelmakers due to, among other factors, the suspension of operations at major clients' blast furnaces. In our tank truck and cylinder supply business, although demand fell rapidly in early spring due to production adjustments in the domestic manufacturing industry, demand recovered from the second quarter onward thanks to a recovering automobile industry, and results in the second half of the fiscal year were on par with the previous year. Equipment and construction also performed strongly thanks to large-scale projects for gas generation units and supply equipment, and growing sales of gas purification units, thermal control devices, and special chemical material supply units for major semiconductor manufacturers.

In our global business, full-scale operations continued at our on-site gas supply plants for steelmakers in India, while growing sales of tank truck and cylinder supply in the construction and automotive sectors also contributed to solid growth.

## Policies and Strategies

### 01. Focusing on electronics and transforming business portfolio

- Shifting to a business structure that is centered on the growing electronics market
- Making unprecedented investments in efforts to capture demand from domestic semiconductor manufacturers who are expanding facilities and boosting production
- Enhancing large-scale supply of nitrogen and expanding into related domains such as special chemicals, equipment, materials, and construction

### 02. Expanding our global business

- Expanding on-site gas supply business for steelmakers in India and enhancing gas manufacturing infrastructure
- Expanding tank truck and cylinder business in India and Vietnam
- Building a global engineering system based on plant manufacturing technologies

### 03. Strengthening our domestic industrial gas business system

- Expanding infrastructure network—such as VSUs, VHRs and filling stations—and boosting market share
- Strengthening sales capabilities through integration of regional business companies
- Reinforcing sales of gas and related equipment for advanced materials such as electronic components and secondary batteries

## Opportunities and Risks

- Increasing demand for gas and related equipment due to growth in semiconductor and other electronics markets
- Expanding gas market in India, mainly for automotive manufacturers and steelmakers
- Reorganization of blast furnaces and steelworks by domestic steel manufacturers

## Strengths

- Stable supply system comprising optimized equipment and a network of manufacturing, storage, and logistics hubs
- Direct sales system centered on regional business companies
- Wide-ranging lineup of products for the electronics segment such as gas supply systems, special materials, and related equipment and construction
- Extensive track record and expertise in on-site gas supply for steelmakers
- Full range of plant manufacturing technologies suitable for small- to large-scale plants

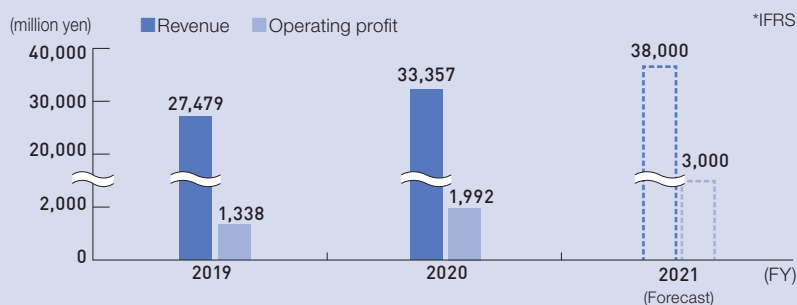
# Chemical Business

In the Chemical Business, based on the profit base we have established by optimizing our cross-business production and sales system, we will look to shift our business structure to one based on functional chemical products—mainly electronic materials—and achieve further growth through the roll out of businesses that can contribute to the creation of a smart society and a sound material-cycle society.

**Kazuya Mizuno**  
President, Chemical Company  
Managing Executive Officer



## Revenue and operating profit



## Review of FY2020

In our Electronic Material Development Division (formerly the Functional Chemicals Business Division), we increased sales of polyimide resin ingredients and other electronic materials. At FILWEL, sales of precision polishing pads grew favorably thanks to growing demand for hard disks for use in data centers, while Daito Chemical—the leading domestic manufacturer of sodium acetate—saw growth in its organic synthesis business for electronic materials. As a result of these new consolidations and the rebuilding of our production system, including the closure of our factories in China, we continued to see progress with profit improvements. At Kawasaki Kasei Chemicals, although sales of basic chemicals fell due to a declining market caused by the pandemic, recovering sales of naphthoquinone for use in agrochemicals ensured that profits remained robust.

## Policies and Strategies

### 01. Quickly displaying positive effects from Group company integration

- Having integrated our Electronic Material Development Division, Kawasaki Kasei Chemicals, and Daito Chemical to form a new company (October 1, 2021), reinforce development, production, and sales system across the functional chemicals business, with electronic materials at the core
- Having integrated Printec and Shin'etsu Lead (April 1, 2021), expand sales of circuit products and materials and develop new applications

### 02. Improving profitability by optimizing production systems

- Rebuilding domestic production system using Daito Chemical's organic synthesis equipment
- Boosting production capacity for succinic acid, naphthoquinone for photosensitizers, and sodium acetate

### 03. Promoting new M&As and alliances

- Reinforcing electronic materials and environment-related businesses, where demand continues to grow
- Expanding businesses through collaboration with other companies, such as ATN Graphite Technology (a joint venture between Air Water, Toyo Tanso, and Nankai Chemical that manufactures thermally expandable graphite)

### Opportunities and Risks

- Increasing demand for electronic materials in line with the shift to a digital society
- Increasing demand for environmentally friendly products (zero carbon and zero plastic)
- Impact on basic chemical market conditions caused by crude oil price fluctuations

### Strengths

- Wide-ranging product applications (for electronic materials, food products, medicine, and agrochemicals, etc.)
- Wide-ranging product lineup in electronic materials, including low dielectric materials, photosensitizers, circuit products, and precision polishing pads
- A stable business foundation thanks to phthalic anhydride, sodium acetate, and other products for which we have a high market share
- Unique products such as naphthoquinone and thermally expandable graphite





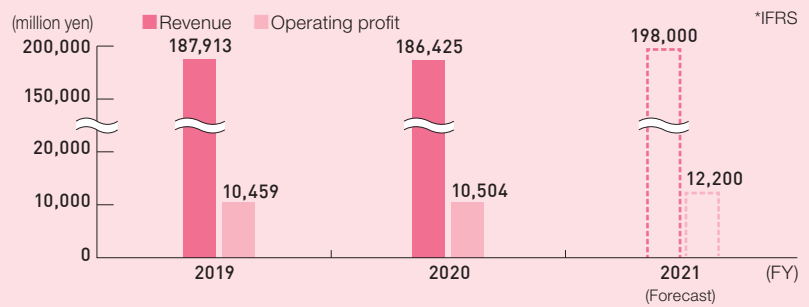
# Medical Business

In the Medical Business, we will use our comprehensive strengths in diverse business domains, from advanced medicine to lifestyle medicine, to respond to society's needs as we live alongside COVID-19, and to create new medical businesses in preventive medicine, health promotion, and other fields to make healthy living a reality.

Toru Watsuji  
President, Medical Company  
Senior Executive Officer



## Revenue and operating profit



## Review of FY2020

Our facility construction business suffered as a result of the pandemic, with postponements and cancellations in the construction, maintenance, and inspection of hospital facilities. In the medical gas business, overall sales decreased due to continued impacts from a drop in number of doctor consultations and operations in the first half of the year. For the same reason, our medical service business saw a decline in demand for SPD (Supply, Processing and Distribution) services.

On the other hand, our home medical care business performed strongly with many patients continuing to shift to home-based care to avoid in-hospital infections. Further, our medical equipment and sanitary products businesses achieved solid growth thanks to a rise in sales of mainly infection prevention products. At our affiliate Ci Medical, sales of infection prevention products for dental clinics rose mainly through online sales.

## Policies and Strategies

### 01. Reforming and reinforcing structure of existing businesses

- Expanding and streamlining businesses through the reorganization of Group companies and strengthened collaboration
- Improving operational efficiency of new production plants for the dental and injection equipment businesses
- Streamlining operations through the integration of warehouses and sales hubs

### 02. Expanding range of businesses suited to a COVID society

- Enhancing lineup and increasing sales of infection prevention products, demand for which has been firmly established
- Enhancing lineup and increasing sales of remote medical support systems and other medical information systems
- Capturing demand for vaccination needles
- Expanding business in line with changing medical needs, such as increasing shifts toward home-based care

### Opportunities and Risks

- Growing needs for higher performance medical equipment and optimized hospital services in the advanced medical care segment
- Growing needs for long-term care and preventive medicine
- Further COVID-19 outbreaks
- Curbs on domestic healthcare costs

### Strengths

- Comprehensive strengths in diverse business domains, from advanced medicine to lifestyle medicine
- Stable medical gas supply system based on an infrastructure network that includes VSUs and filling stations
- Strong profit base courtesy of the medical gas business, the hospital facility construction business, and others in which we have a high market share
- Proprietary technologies for the field of advanced medicine, including dental pulp regenerative treatment



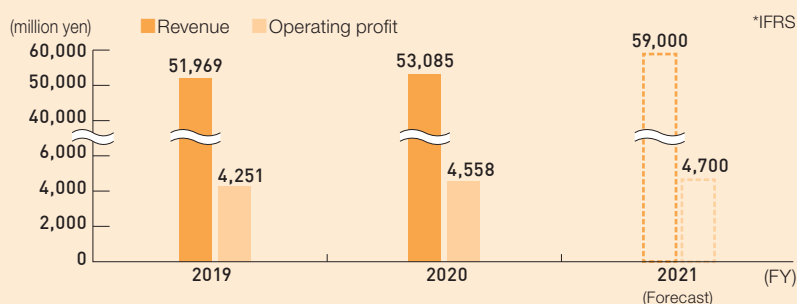
# Energy Business

In the Energy Business, we will aim to expand sales of LPG and strengthen our direct sales system to steadily grow profits and develop a foundation for our global LPG business. We will also work to develop LNG-related equipment and new biogas energy, and in doing so expand our lineup of businesses that contribute to carbon neutrality.

**Katsumi Kajiwara**  
President, Life Solution & Energy Company  
Senior Managing Executive Officer



## Revenue and operating profit



## Review of FY2020

In the LPG business, although commercial (restaurants, hotels, etc.) and industrial demand was sluggish, an increasing number of people staying at home due to the pandemic saw household consumption rise. Meanwhile, despite LPG import prices experiencing a sharp decline at the start of the year, prices rose toward the second half of the year, and impacts were kept to a minimum. Elsewhere, as a result of an improved direct-sales ratio thanks to our acquisition of distributors' commercial rights and more efficient distribution through use of IoT, overall, the LPG business performed well. Sales volumes of kerosene increased due to a low average winter temperature, but the equipment and installation business was negatively impacted by the cancellation of trade fairs and other events. We also saw positive effects from the consolidation of a Vietnamese LPG wholesale business which we acquired in fiscal 2019. In the natural gas business, in addition to a rise in sales volumes of LNG, sales of our V Satellite LNG supply systems increased thanks to rising environmental awareness.

## Policies and Strategies

### 01. Reinforcing direct sales

- Expanding direct-sales ratio through acquisition of commercial rights, aiming to increase the number of direct-sales clients
- Integrating six direct-sales companies in Hokkaido to reinforce retail business
- Improving supplementary services such as AW Denki, online billing, and social media, and streamlining distribution, filling, and meter-reading operations through use of digital technologies

### 02. Promoting carbon neutral initiatives

- Promoting the switch to environmentally friendly LPG and LNG fuel
- Commercializing the LNG Filling BOX, a fuel-filling facility for LNG trucks
- Establishing regional-recycling models using liquefied biomethane and other new energy sources through alliances with local governments and leading companies

### 03. Reinforcing global businesses

- Establishing a foundation for the LPG business in Vietnam

### Opportunities and Risks

- Switch to clean energy in anticipation of a decarbonized society
- Impact on purchasing costs resulting from mergers of major wholesalers
- Decreasing use of LPG and kerosene due to declining populations and global warming
- Lack of successors for LPG retail businesses

### Strengths

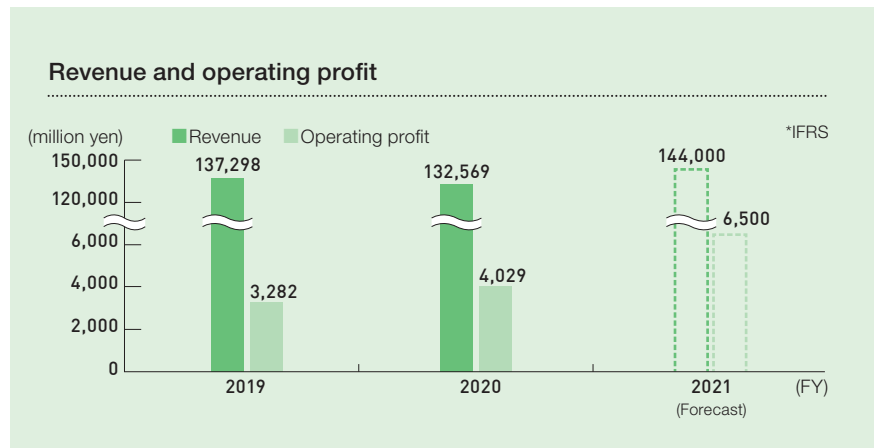
- Touchpoints with 400,000 customers nationwide
- Stable supply infrastructure covering 99% of Hokkaido (filling, distribution, and sales)
- Comprehensive ability to propose fuel conversions (LPG, LNG, and natural gas) and supply equipment in line with customer needs
- Proprietary low-temperature engineering products, such as LNG tank trucks and LNG supply systems (V Satellite and Micro Satellite)
- Development of new energy business models aimed at carbon neutrality



# Agriculture and Food Products Business

In the Agriculture and Food Products Business, making use of our ability to procure a stable source of ingredient vegetables, our production and processing technologies, and product development capabilities, as well as the Group's regional business foundation and logistics functions, we will work to cater to changes in consumer mindsets—which have been accelerated by the pandemic—and boost efforts to reduce food loss.

**Takeo Kashima**  
President, Agriculture and Food Products Company  
Managing Executive Officer



## Review of FY2020

In the agricultural and processed foods business—namely the ham and deli meats and agricultural and processed foods segments—in addition to the development of takeout and delivery products to cope with rising stay-at-home demand, we also focused on expanding sales of our cooked food products for the home. Overall, however, results fell short of the previous fiscal year due to sluggish commercial demand. The sweets segment performed strongly thanks to growing stay-at-home demand and profit improvements in production and logistics. In the beverages business, although contract production volumes of tea drinks decreased with more people staying indoors, profits improved thanks to the launch of an advanced PET bottle filling line at our production plant in Hokkaido, and increased sales of vegetable drinks driven by a rise in health consciousness. Elsewhere, the agricultural machinery segment performed well as a result of steady demand. In vegetable retail, although negative impacts were felt from reduced store hours and closures, efforts to improve profitability through store management saw profits exceed those of the previous fiscal year.

## Policies and Strategies

### 01. Strengthening the agricultural and processed foods business

- Strengthening foundations to ensure stable procurement of ingredients (decentralizing our producing regions and increasing cultivation support)
- Contributing to sustainable agricultural development and reinforcing our logistics and processing value chain (linking producing regions to consumers)
- Boosting development of and production capabilities for home-use cooked food products in line with changing consumer mindsets
- Expanding our regional agricultural produce businesses (farm-fresh products, etc.)

### 02. Strengthening the beverages business

- Enhancing lineup of health products
- Expanding adoption of environmentally friendly packaging

### 03. Strengthening the vegetable retail business

- Proactively opening new stores
- Proceeding with the EC business at full tilt

### Opportunities and Risks

- Changes in food perceptions among consumers (health-conscious diets, demand for convenience)
- Stagnant growth in restaurant and tourism industry due to COVID-19, and increasing demand for at-home meals
- Declining Japanese population leading to lower consumption and labor shortages
- Irregular weather leading to procurement shortages and price fluctuations in ingredient vegetables
- Negative impact on results due to fluctuations in logistics expenses and material costs

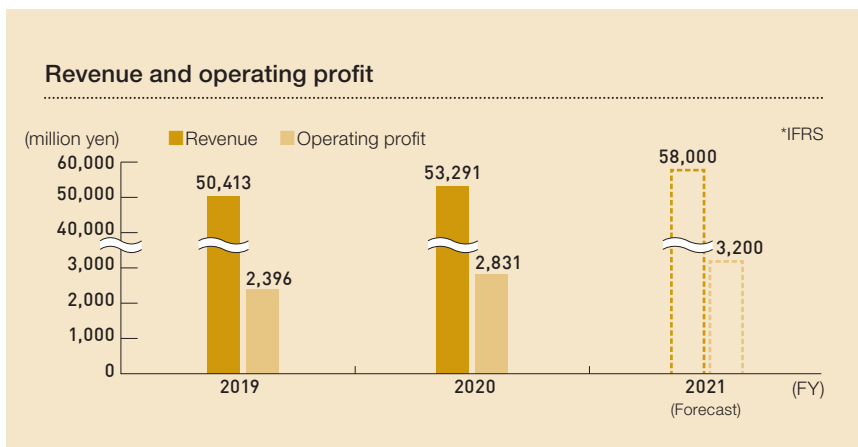
### Strengths

- Product development capabilities and production/processing technologies (agricultural produce, livestock products, sweets, etc.)
- Value chain covering everything from cultivation to procurement, processing, logistics, and retail
- Ability to procure a stable source of ingredient vegetables through partnerships with producers
- In-Group food logistics functions

# Logistics Business

In the Logistics Business, we will work to create an in-house logistics network to expand, among other ventures, our low-temperature logistics business. At the same time, we will look to optimize costs through the centralization of groupwide logistics functions and enhance operational efficiency through use of in-house warehouses. In these and other ways, we will aim to generate synergy between our businesses.

**Toshiyuki Mukaide**  
President, Air Water Logistics Co., Ltd.  
Group Executive Officer



## Review of FY2020

The business overall performed strongly thanks to a rise in freight volumes in food logistics, positive effects from new consolidations, and improved operational efficiency at our low-temperature logistics center. In the transport business, stagnant economic activity in the first half of the fiscal year saw volumes of construction-related freight fall below the previous fiscal year. This was offset, however, by the construction of a new truck distribution center and the resulting improvements in operational efficiency and costs, as well as a fall in diesel prices. We also saw positive effects from the consolidation of Katsura Commerce, a company we acquired engaged in transport and warehousing operations mainly in West Japan.

In our 3PL business, which is centered on food logistics, an increase in supermarket freight volumes and improved operational efficiency at our low-temperature logistics center ensured solid results.

In the vehicle body business, meanwhile, which is in charge of designing and mounting truck bodies and chassis, despite a fall in the number of units produced, the acquisition of highly profitable projects ensured strong performance.

## Policies and Strategies

### 01. Further reinforcing our cold chain

- Expanding food logistics businesses utilizing our low-temperature logistics and warehousing network

### 02. Enhancing logistics efficiency

- Reducing manpower in logistics and warehousing through use of IoT, and rolling out truck distribution centers nationwide
- Promoting enhanced efficiency in Group logistics

### 03. Taking on new business fields

- Reinforcing environmentally friendly logistics businesses, such as the transport and treatment of medical and food waste

### Opportunities and Risks

- Rising logistics demand in line with the rise in EC transactions
- Growing demand for waste recycling
- Securing truck drivers and catering to workstyle reforms
- Diversifying cargo owner needs and advanced quality control requirements
- Negative impact on results due to fluctuations in diesel prices
- Changes in laws and regulations relating to climate change, such as those involving waste gas

### Strengths

- Nationwide in-house logistics network
- Diverse lineup of logistics businesses, including container transport, 3PL, medical and environmental item logistics, and vehicle body manufacturing
- Stable profit base centered on our 3PL business in the Hokkaido and Tohoku regions



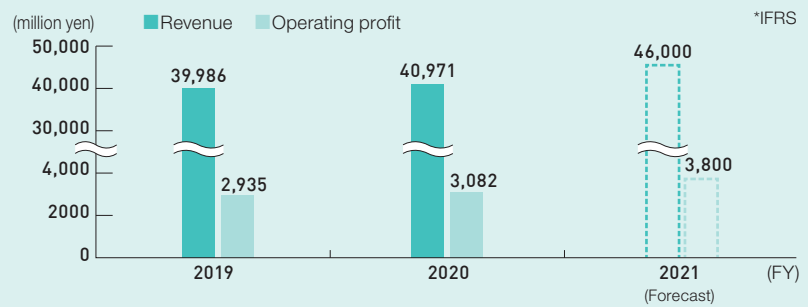
# Seawater Business

In the Seawater Business, we will seek expansion using our diverse seawater-derived business foundations, and in order to achieve even further growth, we will work to create new seawater-derived products and businesses and boost efforts in the environmental business, where demand continues to rise.

Masahiro Kanazawa  
President, Seawater Company  
Executive Vice President



## Revenue and operating profit



## Review of FY2020

The salt business was negatively impacted by huge drops in demand for industrial salt caused by a slump in the restaurant industry, and large-scale equipment repairs at the Sanuki Plant. In our environmental and city infrastructure businesses, although sales of magnesium hydroxide—which is used for the desulfurization of flue gas—decreased due to low-level operations at our customers’ plants, we saw an increase in orders for water treatment systems from local governments, and the businesses performed well as a result. In the electricity business, despite impacts from the biennial repairs undertaken at the power plant of our affiliate Summit Onahama S Power, the commencement of operations at the Ako No. 2 Biomass Power Station in January 2021 ensured steady growth. In our magnesia business, meanwhile, sales volumes of ceramic magnesia products decreased due to impacts from declining crude steel production volumes in Japan and Chinese-made low-priced products, and overall sales fell below the previous fiscal year. On the other hand, thanks to a drop in raw material prices, we continued to see profit improvements in our fused magnesia for heaters, and profits grew steadily as a result.

## Policies and Strategies

### 01. Expanding our electricity business

- Ensuring stable operations at the Ako No. 2 Biomass Power Plant (operations launched in January 2021)
- Constructing the Fukuoka Kanda Biomass Power Plant (scheduled for launch in autumn 2023)

### 02. Expanding our environmental business

- Expanding global sales of environmental products (adsorbents and flocculants), mainly in Taiwan and Southeast Asia
- Expanding business operations to include the sale and maintenance of water treatment equipment and facilities

### 03. Expanding our magnesia business

- Increasing sales of magnesia for magnetic steel sheets
- Increasing sales of magnesium oxide insulators for EV cartridge heaters

## Opportunities and Risks

- Expanding environmental product market due to stronger environmental regulations
- Expanding demand for infrastructure improvements (e.g., water supply and sewer systems)
- Expanding demand for magnetic steel sheets for use in transformers in line with growing energy-saving needs
- Declining demand for salt due to falling population and low-sodium diets
- Negative impacts from fluctuating prices of LNG, coal, and magnesia, etc.

## Strengths

- High share of the domestic industrial salt market
- High share of the magnesia for magnetic steel sheets market, and high quality and performance
- Stable profit base thanks to a diverse seawater-derived business portfolio
- Crystal shape control and other technologies developed through our salt-manufacturing business
- Profitable and carbon neutral woody biomass power generation business



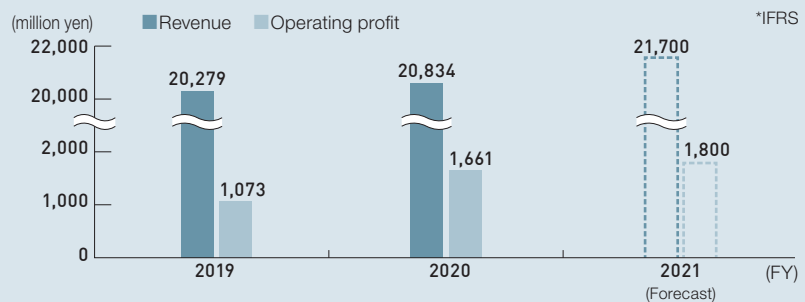
# Aerosol Business

In the Aerosol Business, in addition to expanding operations using a unique production system that is capable of producing a wide lineup of products for every industry—including personal care products, household commodities, paint, and automotive and industrial items—we will aim for further growth through full-scale participation in the contract manufacturing of cosmetics.

Hidetoshi Onoue  
President, Air Water Sol Inc.  
Group Executive Officer



## Revenue and operating profit



## Review of FY2020

In the aerosol business, sales of personal care products such as hair sprays, antiperspirants, and deodorants decreased with more people staying indoors, while low-level plant operations led to a drop in sales of industrial items such as lubricants and rust-proofing agents. On the other hand, sales of pesticides and paints for plastic model kits increased in line with consumers spending more time in their homes. In our contract manufacturing business for cosmetics, store closures brought about by state-of-emergency announcements, fewer in-store customers, and a sudden fall in demand from tourists due to travel restrictions all led to a drastic worsening of market conditions. Meanwhile, we benefited from a significant growth in sales of our alcohol-based disinfectants due to the spread of the COVID-19 pandemic.

## Policies and Strategies

### 01. Mainstay aerosol business

- Solving customer issues in diverse industries through individual strategies
- Establishing even more competitive advantages by reforming business models using digital technologies

### 02. Contract manufacturing business for cosmetics (ODM/OEM)

- Advancing from an OEM to an ODM (conducting planning and design in-house)
- Reinforcing partnerships with major customers using functions of our new plants and research institutes

### 03. Sanitary products business

- Shifting from special COVID demand to the stable acquisition of orders, and reinforcing functional product development by making use of plants that can handle hazardous substances

## Opportunities and Risks

- Responding to diversifying customer requirements and advanced quality management
- Acquiring customers through EC and other new sales channels
- Decreasing demand for cosmetics throughout the pandemic
- Responding to decarbonization, environmental regulations, and other climate change issues

## Strengths

- Ability to flexibly cater to small- and large-lot production through an optimal production system that makes use of individual plant characteristics
- Stable supply system courtesy of four domestic production hubs
- Production plants that can handle hazardous substances such as alcohols
- New research institute complete with an Open Lab, a cell lab, and sensory evaluation room, etc., to ensure continued value creation
- Marketing capabilities that use market analysis to engage in a planning- and proposal-based sales approach



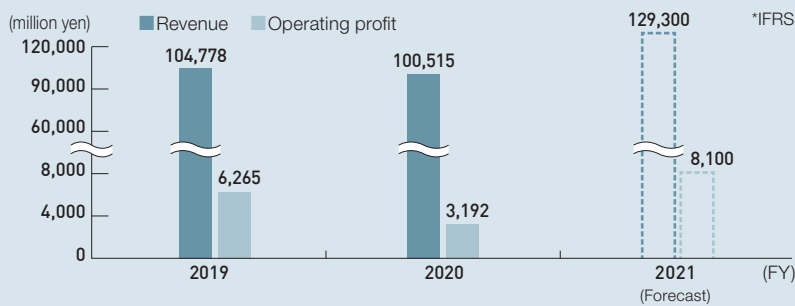


# Other Businesses

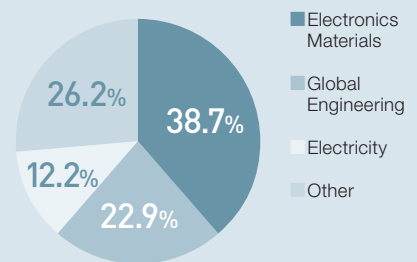
In our Other Businesses, our unique technologies and characteristic products—such as electronic materials and O-rings—are supporting the growth of the Group. We are also trying our hand at new businesses, including woody biomass power generation and global engineering.



## Revenue and operating profit



## FY2020 revenue by subsegment



## Review of FY2020

In the electronic materials business, while the business as a whole was impacted by a drop in demand in the first half of the year due to the pandemic, profit exceeded that of the previous year thanks to recovering sales of automotive electronic materials in the second half of the year. The industrial gas equipment segment in our global engineering business performed well thanks to rising demand for facilities that contribute to decarbonization, including liquefied hydrogen tanks for hydrogen stations, in the main North American market. In the high-power UPS segment, however, results fell significantly below the previous year due to negative impacts from national lockdowns in Europe and Singapore and the ensuing postponements in maintenance operations and capital investment plans. In the electricity business, profits decreased over the previous year due to the suspension of operations at our woody biomass and coal co-fired power generation plant (Hofu, Yamaguchi) caused by the first large-scale regular inspection since the facility's launch. The O-ring business benefited from strong sales of products for semiconductor manufacturing equipment.

## Policies and Strategies

### 01. Global engineering business

- Responding to new demand for carbon dioxide equipment and energy-use hydrogen equipment in the industrial gas equipment and engineering businesses in North America
- In the high-power UPS segment, acquiring new orders in response to rising demand from data centers, and focusing on sales of package systems that can reduce the manpower required for local construction

### 02. Electricity business

- Continuing stable operations at our Yamaguchi woody biomass and coal co-fired power generation plant and at our Onahama woody biomass power generation plant

### 03. Electronics materials business

- Expanding sales of automotive electronics materials and chemicals for semiconductors, etc.

### 04. Other businesses

- Expanding sales of seal components (O-rings) for semiconductor manufacturing equipment

### Opportunities and Risks

- Growing semiconductor and semiconductor manufacturing equipment markets
- Growing demand for hydrogen and carbon dioxide equipment in line with decarbonization movements
- Growing demand in line with the construction of new data centers and semiconductor plants
- Rising procurement costs for woody biomass fuel (PKS, unused wood)

### Strengths

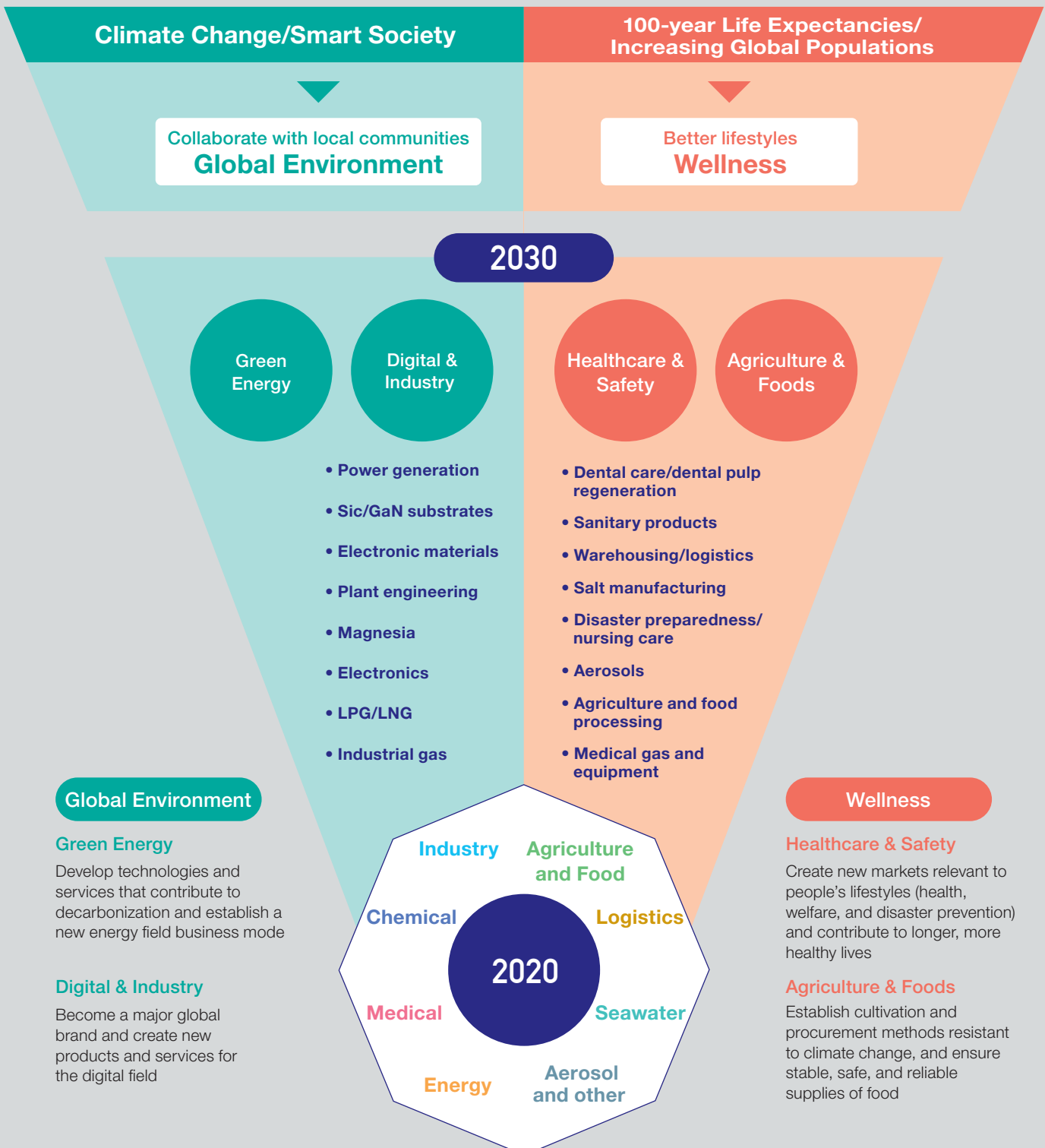
- Low-temperature equipment production system (North America and Malaysia) and technological capabilities in plant engineering
- High share of the rotary-type UPS market, and a global maintenance system
- Global network in the electronics materials business (10 hubs in 6 countries)
- O-ring production system capable of small-lot production of diverse varieties, and developmental capabilities for highly heat-resistant products, etc.

# Business Concept for 2030

In line with huge upcoming social changes, and considering the social value that the Air Water Group must provide, we have established “the global environment” and “wellness” as two axes that will guide the course of our business.

In line with these two axes, to optimize and combine our diverse management resources to generate synergy, we have established four new business domains.

Moving forward, in accordance with these new business domains, we will seek to improve corporate value while considering both economic and social value.



# Environment

The Air Water Group's business activities are founded on harnessing natural resources like air and water. As such, not only is environmental conservation essential to sustainable corporate growth, but it is only right that we lead efforts to preserve the global environment for future generations. To that end, in 2021 we announced our 2050 Environmental Vision, and we are working as a Group to achieve a decarbonized society, a resource recycling society, and a society in which humanity and nature can coexist.



## Air Water Group 2050 Environmental Vision

In October 2021, we formulated the Air Water Group 2050 Environmental Vision.

Our Sustainability Vision for 2050 is to achieve a recycling-oriented society through coexistence with society and the earth.

In our business activities, we use air, water, and other natural resources to supply products, services, and solutions that are essential to industries and people's lifestyles. We must guarantee, therefore, that our business activities are sustainable and that they leave zero impact on the environment. Meanwhile, solutions to the many issues facing society today can be found in both environmental and social sustainability. At the Air Water Group, too, we long for a future of sustainability in which nature and humanity can coexist, and this is precisely why we have put together our 2050 Environmental Vision.

Global warming concerns are growing every year, and as demonstrated by the Japanese government's target to become carbon neutral by 2050, decarbonization initiatives are gathering speed across society. For corporations to achieve sustainable growth against this social backdrop, response to environmental issues must be seen as both a social responsibility and a growth opportunity.

This new Environmental Vision defines our goals for future society: a decarbonized society, a resource recycling society, and a society in which humanity and nature can coexist. Not only will we aim to ensure that our business activities leave zero environmental impact, but we will also work to provide added environmental value to both our customers and society.

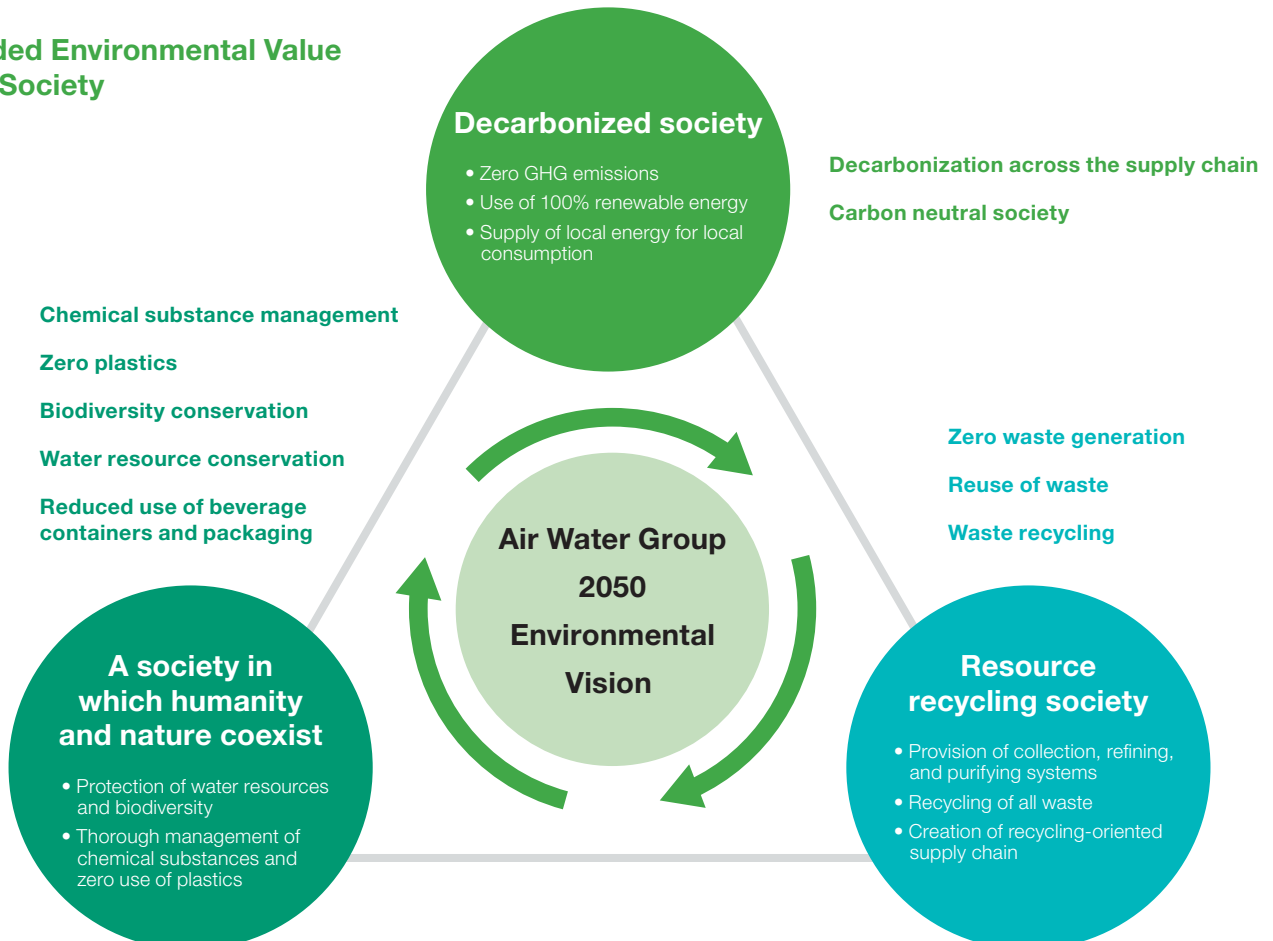
Please see our website for more details on our environmental initiatives.



Environmental initiatives

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

## Added Environmental Value for Society



## Environmental Management System and Basic Environmental Policy

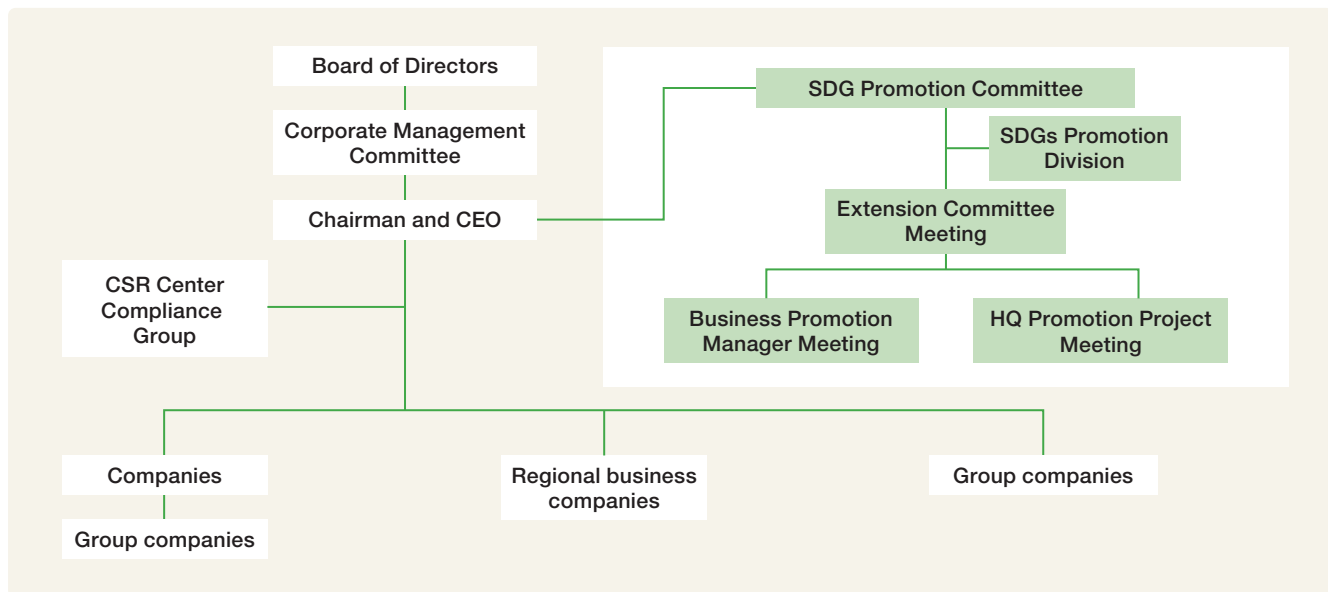
At the Air Water Group, we have built an environmental management system with the chairman and CEO as the chief executive. We have also established the SDGs Promotion Division and CSR Center Compliance Group as our environmental management organizations. Based on our basic environmental policy, these organizations engage in environmental management activities in line with their individual roles.

In addition to formulating and implementing various measures to promote the Group's SDG activities, the SDGs

Promotion Division works to enhance understanding of SDG initiatives across the Group, share the relevant information, and manage progress. We have also established the SDG Promotion Committee, chaired by the chairman and CEO, which discusses and assesses the direction of our SDG initiatives.

The CSR Center Compliance Group, meanwhile, manages environmental risks for the Air Water Group through environmental audits, and offers guidance on how to comply with environmental laws, as well as compliance education.

### Environmental Management System



### Basic Environmental Policy

We are concerned not only with harnessing air and water resources to make products that benefit industry and lifestyles, but also with ensuring our manufacturing benefits nature itself. Having served their commercial purpose, those resources should

return gently and cleanly to their original environment. As a company founded on the laws of nature and the cycle of natural life, acting in accordance with this philosophy is our responsibility to future generations.

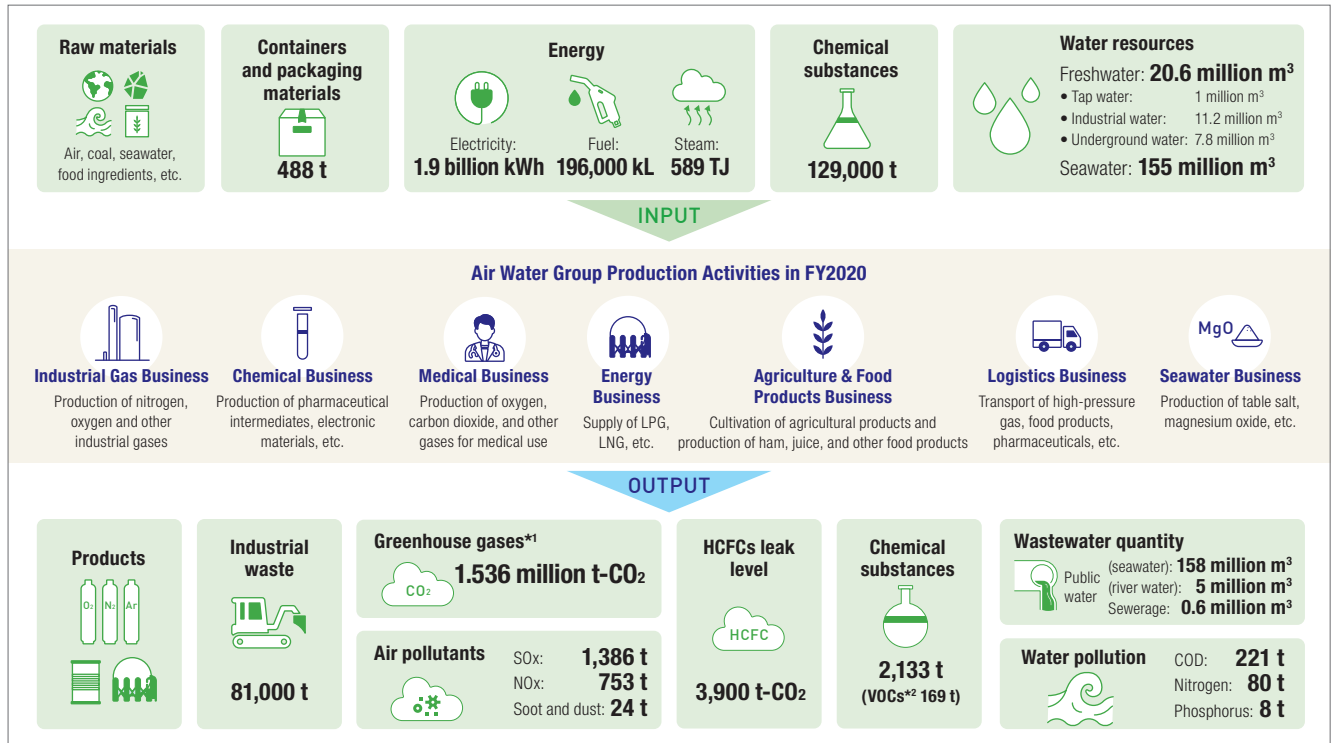
- 1 We work on the prevention of environmental pollution, global warming countermeasures (mitigation of and adaptation to climate change), effective use of resources, and reduction of chemical risk in all our business activities from research and development to production, sales, logistics, and service.
- 2 We research and examine the impact on the environment resulting from our business activities, establish technically and economically feasible goals for reducing environmental load, and promote environmental conservation activities. At the same time, we continually try to improve our environmental management system.
- 3 We comply with environmental laws and regulations, establish voluntary standards as necessary, and work for environmental conservation.

- 4 We select resources (facilities, raw materials, subsidiary materials, components, etc.) required for business activities that satisfy technological and economic demands, but which also have a small environmental impact and little negative effect on local residents and employees.
- 5 Our research & development gives consideration to the environment, safety, and quality, and provides products and goods and develops technologies that contribute to the environment.
- 6 We promote acquisition of the ISO 14001 international standard for environmental management systems, and arrange structures for implementing our Basic Environmental Policy.
- 7 We use internal publicity and other activities to boost the understanding and awareness of all employees regarding the Air Water Group Basic Environmental Policy. We disclose this Basic Environmental Policy to the general public.

# 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 (CO<sub>2</sub> emission coverage: 95% or more).



### Scope of collection of environmental performance data

\*1 Energy-derived CO<sub>2</sub> \*2 Volatile organic compounds

86 domestic plants of Air Water and 38 consolidated subsidiaries with high environmental impact\* in FY2020 (39 companies in total)

Industrial Gas: 16 companies; Chemical: 4 companies; Medical: 2 companies; Agriculture and Food Products: 7 companies; Seawater: 2 companies; Logistics: 1 company; Other: 6 companies

\*Definition of plants with high environmental impact

Act on the Rational Use of Energy: Energy management industries; Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof: Plants that release and transfer more than one ton of Class I designated chemical substances into the atmosphere; Waste Disposal Law: Businesses discharging large amounts of waste; Act on Improvement of Pollution Prevention Systems in Specified Factories: Specified plants

# Decarbonized Society

## Basic Approach

In addition to ensuring carbon neutral Group business activities by 2050, we will also aim for decarbonization across the supply chain. Moreover, through endless technological reforms and use of hydrogen and renewable energy, we will aim to contribute to the creation of a carbon neutral society.

## CO<sub>2</sub> Emissions Reduction Target and Progress

At the Air Water Group, we have set total GHG (CO<sub>2</sub>) emissions reduction targets as an environmental key performance indicator.

In fiscal 2020, CO<sub>2</sub> emissions factors were revised at some of the plants belonging to the 34 Air Water Group companies designated as Specified Business Operators under the Act on the Rational Use of Energy, and as a result CO<sub>2</sub> emissions increased by 229,000 t-CO<sub>2</sub>. However, a slowdown in production rates caused by declining customer demand saw overall emissions fall by 6.4% over fiscal 2013 (105,000 t-CO<sub>2</sub>).

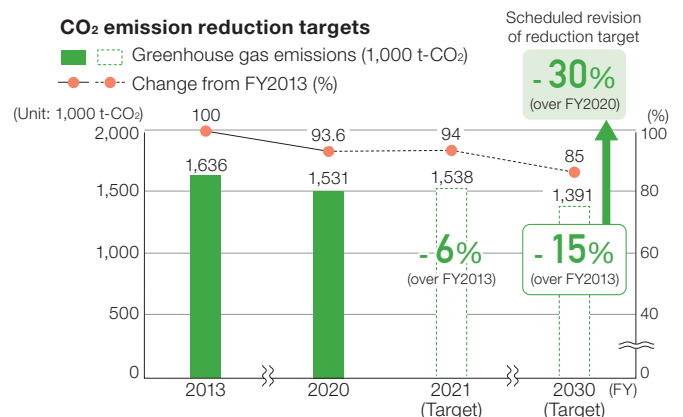
Although our long-term goal for fiscal 2030 was to achieve a 15% reduction over fiscal 2013, with the formulation of our 2050 Environmental Vision, we plan to revise our reduction target to 30% (over fiscal 2020)\* based on the GHG Protocol.

\*Equivalent to a 37% reduction over fiscal 2013, or an upward revision of 22%.

### CO<sub>2</sub> emissions breakdown (by business)



### CO<sub>2</sub> emission reduction targets



Scope of collection: Companies classified as Specified Business Operators under the Act on the Rational Use of Energy (Air Water and 33 Group companies [34 companies in total])



## CO<sub>2</sub> Emissions by Scope

We have calculated CO<sub>2</sub> emissions by scope to gauge CO<sub>2</sub> emissions across the supply chain.

	CO <sub>2</sub> emissions (1,000 t-CO <sub>2</sub> )	Notes
Scope 1	294	Direct emissions generated through use of in-house fuel, etc.
Scope 2	1,237	Indirect emissions generated through use of electricity, steam, etc., from other companies
Scope 3	2,278	Indirect emissions generated through business activities across the supply chain

### Calculated Scope 3 emissions

Category		CO <sub>2</sub> emissions (1,000 t-CO <sub>2</sub> )
1	Purchased goods and services	463
2	Capital goods	155
3	Fuel and energy-related activities not included in Scope 1 or 2	201
4	Transportation and delivery (upstream)	31
5	Waste generated in operations	19
6	Business travel	2
7	Employee commuting	4
8	Leased assets (upstream)	–
9	Transportation and delivery (downstream)	–
10	Processing of sold products	–
11	Use of sold products	1,403
12	End-of-life treatment of sold products	–
13	Leased assets (downstream)	–
14	Franchises	–
15	Investments	–
<b>Total</b>		<b>2,278</b>

\*Category 1 is calculated based on the volume of products (mainly raw materials) purchased by the plants on page 39 at which we track material balance, and by applying the emissions per unit of each product.

\*Category 11 is calculated based on the CO<sub>2</sub> emissions incurred from the use of fuel (LNG, CNG, LPG, kerosene), liquefied carbon dioxide, and dry ice sold to customers outside the Group.

\*Due to calculation difficulties, categories 10 and 12 are currently not included in the total. Categories 8, 9, 13, 14, or 15 are not relevant to any of the Air Water Group's businesses.

## Response to TCFD Recommendations

In August 2021, Air Water announced its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)—established by the Financial Stability Board\*<sup>1</sup>—and joined the TCFD Consortium. The TCFD recommends the disclosure of information relating to climate change, namely governance, strategies, risk management, indicators, and targets. At the Air Water Group, we are moving forward with efforts to ensure appropriate information disclosure based on these recommendations.



\*1 An international body made up financial agencies and central banks from various nations that monitors international finances

## CDP Evaluation

The Air Water Group takes part in surveys by the CDP,\*<sup>2</sup> an organization that collects information on and evaluates climate change activities by major global companies. In both fiscal 2020 and 2021, we were rated B for our climate change efforts and information disclosure. We were also rated B in fiscal 2020 and 2021 for our water security initiatives, which included efforts to prevent the depletion of water resources.



\*2 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.

## Resource Recycling Society

### Basic Approach

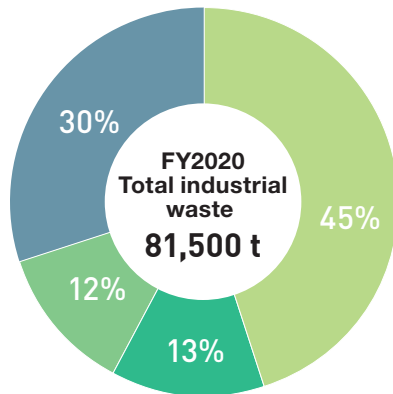
By eliminating waste, promoting the reuse of waste, and recycling waste, we will strive to ensure resource recycling across the supply chain.

#### 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 electricity business, and a large amount of animal- and plant-based residue from our agriculture and food products business. Looking ahead, we will implement the 3Rs (reduce, reuse, and recycle) and strive to reduce the amount of industrial waste we generate.

#### Industrial waste

- Dust and soot
- Sludge
- Animal- and plant-based residue
- Other

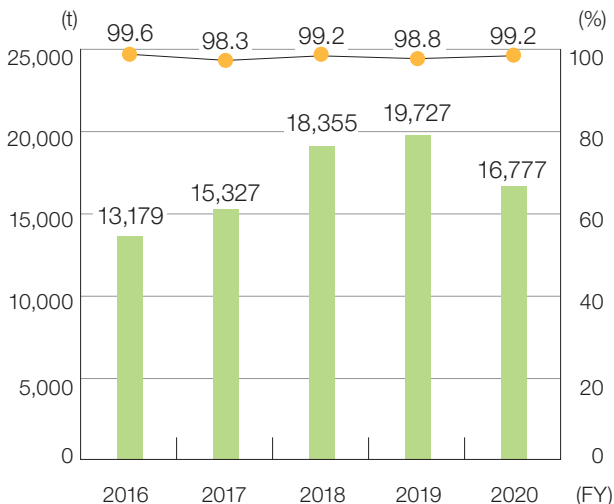


Scope of collection: Plants at which we track material balance

#### Food waste and recycling

As a company engaged in the agriculture and food products business, ensuring the effective use of food waste is a key challenge. The food waste generated at the Air Water Group's plants is recycled according to Japan's Food Recycling Law. Our food recycling rate exceeds the 95% target set by the government, and thus we are making steady contributions to a recycling-oriented society.

- Amount of food waste (t)
- Recycling rate (%)



Scope of collection: Businesses generating large amounts of food waste under the Food Recycling Law

## A Society in Which Humanity and Nature Coexist

### Basic Approach

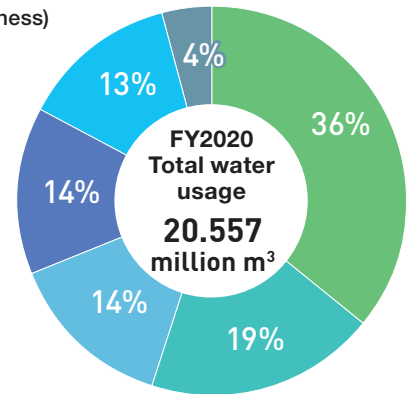
Through the conservation of water resources and the elimination of plastics, we will work to both eliminate our environmental impact and protect biodiversity.

#### Water resources (freshwater)

At the Air Water Group, among other uses, water is used as a coolant in our manufacturing processes and as a key ingredient in our soft drinks, and is thus essential to our businesses. In addition to the recycling of water resources within our processes, we analyze water quality following its use and only drain the water if it is safe to do so.

#### Water usage (by business)

- Agriculture and food products
- Seawater
- Electricity business department (AWEF-Yamaguchi)
- Chemicals
- Industrial gas
- Others



Scope of collection: Plants at which we track material balance

## Feature

### The Azumino Air Water Forest

Since November 2021, while making continued donations to the National Land Afforestation Promotion Organization's Green Fund, we have engaged in forest conservation activities at the Azumino Air Water Forest, which we created in a part of the city-owned forest in the Horigane region of Azumino in Nagano Prefecture.

At the nearby Azumino Biomass Energy Center, in addition to using unused wood from surrounding regions for small-scale biomass power generation, we use the heat and CO<sub>2</sub> released in the process for tomato cultivation, operating a resource-recycling energy supply system.

In promoting businesses that make effective use of resources unique to rural regions like Azumino, we recognized that protecting forests and raising saplings can help to create a sound material-cycle society and revitalize rural regions. As a result, we determined to proactively go about creating "recycling forests." Having signed a cooperative agreement with Azumino City and the National Land Afforestation Promotion Organization, we will work with local communities to protect forests and regenerate *satoyama* districts.

Moving forward, we will extend our Air Water Forest activities to business sites across Japan and promote environmental protection activities while rooting ourselves in local communities.

# Social

Products and services provided by Air Water contribute to people and society in broad fields, such as manufacturing, medical and nursing care, food, energy, and logistics. NEXT-2020 Final, the mid-term management plan we launched in fiscal 2019, obliges the Group to take action to address workforce potential (diversity and promotion of women's participation and advancement), elimination of industrial accidents, and improved compliance relating to quality.



## Workforce Diversity

### Basic Policy on Human Resources (Respect for Diversity)

The Air Water Group comprises 67 Group companies from 18 different countries, with a global workforce that exceeds 20,000. Each and every one of our employees is given a platform to succeed regardless of their gender, age, race, nationality, or any other individual characteristic, accompanied with full respect for their fundamental human rights. We therefore promote diversity throughout the Group, and engage in personnel development that maximizes the diverse characteristics of our workforce.

#### Basic Policy on Human Resources

##### Respect for the Individual

We strive to establish programs that can be chosen by employees in order to respect the will of each and every individual.

##### Recognition of Ability and Performance

We appropriately recognize ability and performance without regard to age or educational background and structure compensation accordingly.

##### Personnel Development

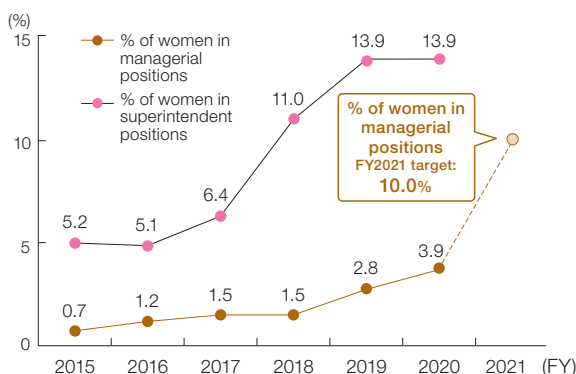
We support each employee's desire for growth through a development-oriented support system and help them achieve their career plans through ongoing skill development and performance opportunities.

### Personnel Utilization

#### Key Performance Indicators: Percentage of Women in Managerial Positions

In our mid-term management plan NEXT-2020 Final, we are aiming to increase the percentage of women in managerial positions from 1.5% in fiscal 2018 to 10% by fiscal 2021, and are actively promoting women who are motivated to succeed.

#### Proactive promotion of female employees \*Air Water only



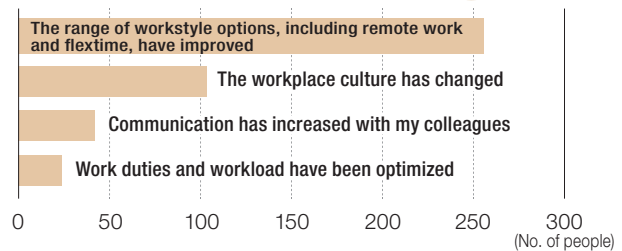
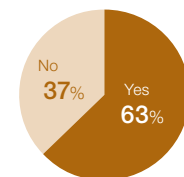
\*Figures for % of women in managerial positions and superintendent positions are current as of the end of the fiscal year.

### Promoting Women's Participation and Advancement

The Women's Participation and Advancement Promotion Project was launched in 2016 in order to further develop a corporate culture and workplace conditions that enable women to work with energy and a sense of purpose at the Air Water Group. As part of the project, we are working to increase opportunities for women to succeed and are moving forward with the creation of environments necessary for them to do so. The project reached its fifth year in 2020, and a range of activities continue to be implemented based on the project's key themes: improved workplace culture, continued employment support, and career support and hiring/development.

Thanks to the above project, in a survey offered to 566 employees, approximately 60% said that working environments have improved compared to before the project was launched (prior to fiscal 2015).

Q. Have working environments improved compared to before the Women's Participation and Advancement Promotion Project was launched?



### Major Initiatives

#### • Improved workplace culture

We regularly host seminars in which we educate management on the significance of women's participation and advancement, as well as providing them with pointers for the development of female employees. Further, to establish a "development first" culture, we have introduced a 360-degree feedback system in management training. Through this system, participants gather feedback from their supervisors, colleagues, and subordinates, and complete a self-evaluation to examine the type of leader they want to be.

#### • Continued employment support

To support employees' continued employment, since the launch of the project we have sought to newly create and improve our systems, including a flextime program, a leave of absence program to be used upon a spouse's transfer, a job return program, and a prolonged childcare shortened working hour program. In addition, we encourage male employees to take childcare leave, and have established our own program through which employees can use their special annual leave together with their childcare leave. As a result of the above initiatives, in 2020 we were recognized with the Kurumin certification.

- **Career support and hiring/development**

To increase career options for our employees, we have revised our career selection rules, as well as the standards for contract employees to become full-time employees. We are also continuing with our career support initiatives, which include seminars for female employees.

- **Increasing the percentage of women in managerial positions**

At the Air Water Group, we have established a five-step process to increase the percentage of women in managerial positions: Hiring, continued employment, development, promotion, and the achievement of diversity. Compared to in fiscal 2016, in which 17.1% of new employees were female, in fiscal 2020 this number grew to 35%, and we have since introduced a wide range of systems to support their continued employment. We are currently focusing on their development through a female leader development program.



- **Female leader development program**

- **Career vision interview**

Employees share with their supervisors their development goals and career vision in line with the expectations of their colleagues

- **Mentoring system**

A company director or member of management from a separate division acts as the employee's mentor, and conducts regular interviews

- **Interaction with external parties and participation in external seminars**

## Utilization of Global Personnel

In fiscal 2019, the Air Water Group launched the Global Challenge Recruit program in order to hire new graduates and mid-career professionals capable of supporting the Group's global growth. In addition to the special selection of personnel with outstanding language, interpersonal, and fundamental skills, the Group is offering attractive employment conditions to acquire leaders who can drive future global expansion of the Air Water Group.

Elsewhere, we offer language training to selected young and mid-level employees and a two-year educational language program for new employees. Moving forward, we will host personnel surveys with 24 of our Group companies to pick out potential candidates for overseas employment, candidates to work in our global business in Japan, and candidates for future management positions. Through training programs that teach the skills necessary for success on the global stage—such as languages, mindsets, logical communication, management, and leadership—we will strengthen our development of personnel who can develop our global businesses.

## Employee Training

In addition to rank-specific training, which is provided based on individual employee skill-levels, Air Water offers an array of other training programs that help employees acquire the expertise and skills necessary for their business or department. Rank-specific training is offered to every employee, from new recruits all the way up to managers, to develop the required skills.

In fiscal 2020 we launched the Air Water Group Academy, a new system to develop young employees. New recruits undergo training here for two years, and we offer regular training opportunities and help them obtain the relevant qualifications. Employees are expected to develop an understanding of the company and of their work, as

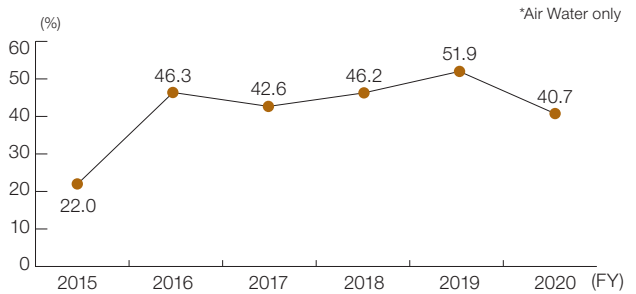
well become able to independently develop their own careers. In the mid to long term, this new academy will facilitate development of the next generation of Air Water Group management.

Elsewhere, in addition to sector-specific specialist training, such as that held by the CSR Center Compliance Group, and continuous MR training held by medical departments, we are also expanding our range of language training courses.

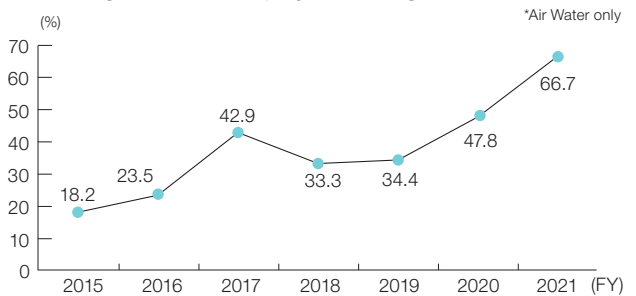
## Employment

We are proactively hiring mid-career professionals to bring in diverse personnel with varying ideas and skills. In addition, we are proactively hiring new female graduates.

**Percentage of mid-career professionals among workforce**

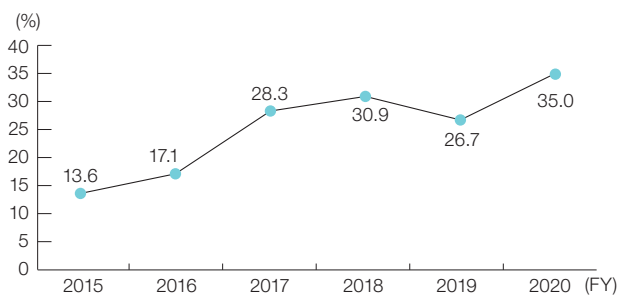


**Percentage of female employees among new recruits**



**Percentage of female employees overall**

(new graduates and mid-career professionals) \*Air Water only



## Compensation and Systems

- **Encouraging early promotion to managerial positions**

To encourage the early promotion of young employees to managerial positions, we revised our personnel systems and lowered the age requirement for managers to 33, an age we will look to lower even further in the future.

- **Flexible working options**

Aiming to create a comfortable workplace environment for our diverse employees, we have in place an array of systems that enable them to continue working at Air Water. These include a flextime program, a spousal leave of absence program, a job return program, and support programs for nursing care leave. Due to the COVID-19 pandemic, in April 2020 we began trialing a work-from-home system, and introduced the system officially in October 2021.



## Operational Reforms

With the chairman and CEO as director, in June 2020 we launched the Corporate Business Innovation Division to drive groupwide digital innovation (DI). We are making progress through three main elements: the DI Promotion Office, which promotes digitalization in business management; the Workstyle Innovation Project, through which we aim to transform workstyles by reforming our basic communication infrastructure; and the Sales Innovation Project, in which we are working to establish new marketing and sales approaches through full use of digital tools.

### • Workstyle Innovation Project

Promoting fundamental workstyle reforms by increasing workstyle flexibility and revitalizing communication

### • Sales Innovation Project

Establishing new marketing and sales approaches through full use of digital tools

### • DI Promotion Office

Formulating and promoting groupwide implementation of strategies and plans for digital innovations in business

## Health Management

### • Health management

At the Air Water Group, a healthy workforce is both a valuable asset and the biggest driving force behind our growth strategies. As such, we are implementing health management that balances both company growth and employee health by proactively improving workplace environments and hosting systematic health-improvement activities. While gauging current issues and considering company characteristics, the Health Management Promotion Team (within the Personnel Department) and the Health Insurance Society work together to drive initiatives to improve employee health.

### Air Water Group Health Management Declaration

A healthy workforce is a valuable Group asset and the biggest driving force behind our growth strategies. To guarantee the physical and mental health of our workforce, and to ensure their continued endeavor toward new growth, we will implement health management that balances both company growth and employee health by proactively improving workplace environments and hosting systematic health-improvement activities.

Please see our website for more details on our health management activities.



Information on specific initiatives

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

### • Initiatives for mental health

A stress check program is among Air Water's comprehensive initiatives for employee mental health care, which we conduct on a planned, ongoing basis. In fiscal 2020, 1,299 employees underwent stress checks, and of those 134 (10.3%) were determined to be under high levels of stress. The results of the stress check are conveyed directly by the outside professional organization to the employees checked, and employees are also able to consult with specialists via an outside consultation desk without going through the company. Employees who do report to the company are able to talk with an industrial physician or other specialist and receive guidance, and we are working to ensure that these efforts lead to the early detection and treatment of mental health issues.

## 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.
- If it becomes clear that the business activities of the Air Water Group have negatively impacted human rights, or that the Group has negatively impacted human rights through its business partners, the Group will work to correct and remedy the issue through dialogue and appropriate procedures based on international standards.
- The Air Water Group will arrange a director to be responsible for the implementation of this policy and monitor implementation progress.
- 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.

### • Human rights education

At the Air Water Group, we have clarified our approach to human rights for our employees in the Air Water Group Code of Ethical Conduct, while we are also striving to enhance understanding of human rights through various training programs. Moreover, by improving awareness of and response to workplace harassment issues, we are working to ensure that harassment is not overlooked and eliminated entirely. In doing so, we hope to create a safe, comfortable workplace environment in which there is mutual respect among all our employees. One specific measure is our creation of the Air Water Group Power Harassment Guide which we have distributed to all Group employees. The guide contains definitions and examples of workplace harassment, as well as matters for employees to observe. Further, we also host training programs for management in which power harassment is a central theme. All employees also undertake online learning courses on sexual harassment and power harassment.

### • Participation in initiatives

As a member of the Kansai Productivity Center's Labor Law Study Group, supervisors from our personnel department attend monthly meetings. These meetings are centered on lectures by lawyers, professors, and experts in the field of business and human rights, and the knowledge we gain through these meetings is reflected into personnel management at the Air Water Group.



# Creating a Rewarding Workplace

## Safety and Health Basic Policy

No company can thrive without a safe, secure work environment, and workplace safety is our overriding priority. Under this ideal, and based on our Safety and Health Basic Policy, we are aiming to eliminate industrial accidents.

### 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.

### Safety and Health Structure

At Air Water, we have established a Central Safety and Health Committee to secure workplace safety and health. The committee meets regularly under the supervision of the director of the Safety and Health Management Headquarters.

The vice president of the Administrative Division acts as the director of the Safety and Health Management Headquarters, and is responsible for governing safety and health groupwide, and for eliminating work-related accidents. Meanwhile, the managing executive officer and general manager of the CSR Center functions as the assistant director of the Safety and Health Management Headquarters, and assists the director.

In addition, committee members responsible for safety management and health, and the heads of the various safety and health departments, form the Central Health and Safety Committee, and the chairperson of the labor union's Central Executive Committee also participates to reflect the workforce's views in proceedings.

The central committee meetings minutes are disclosed internally to ensure broad dissemination of information.

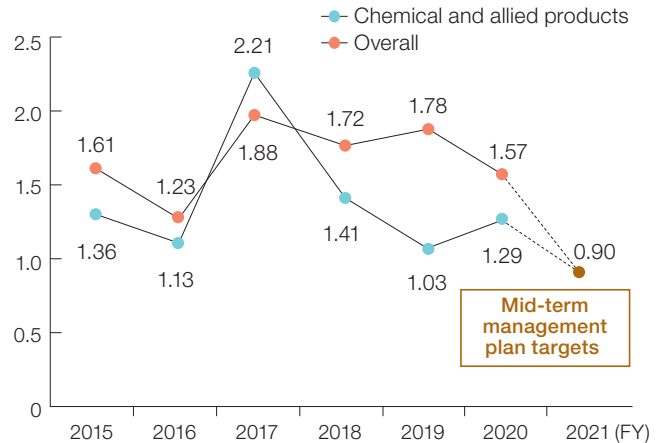
### Safety and health structure chart



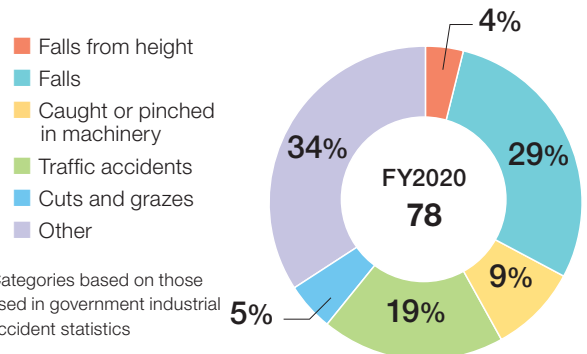
### Key Performance Indicators: Rate of accidents associated with days away from work

In our mid-term management plan NEXT-2020 Final, we are aiming to reduce the rate of accidents associated with days away from work to 0.90 or less by fiscal 2021 (compared to 1.72 in fiscal 2018), and we are currently engaged in efforts to improve safety and health in the workplace.

### Frequency rate of accidents associated with days away from work (including accidents during commutes)



### Breakdown of accidents associated with days away from work



\*Categories based on those used in government industrial accident statistics

The Air Water Group's businesses correspond to the following categories outlined by the Ministry of Health, Labour and Welfare: Chemical and allied products; Manufacture of food; Road freight transport; Wholesale trade, general merchandise; and Miscellaneous manufacturing industries. For "Chemical and allied products," in fiscal 2020 we achieved a frequency rate of 1.29, and in all relevant businesses, we achieved a frequency rate of 1.57. Meanwhile, the total number of accidents associated with days away from work in fiscal 2020 (including accidents during commutes) decreased from 85 in the previous year to 78.

\*The number of people involved in 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

The Air Water Group's priority focus in fiscal 2020 was on preventing work-related accidents involving falls from height, limbs pinched or caught in machinery, and falls. Further, to allow for safety audits in environments where on-site audits proved a challenge, we implemented online, remote audits using smart glasses.

**FY2020****1 Preventing work-related accidents involving falls from height, limbs pinched or caught in machinery, and falls**

- Set daily and intensive training month (June) activities, and communicated them to each company and department
- Distributed disaster prevention/educational posters and work-related disaster prevention check sheets to each company and department

**2 Segment-specific safety training**

- Hosted safety training sessions especially for departments involved in agriculture and food products and logistics

**3 Foreman educational courses**

- Hosted educational courses for foremen which included information on basic workplace safety matters such as risk assessments and work procedures (twice)

**4 Other**

- Hosted training sessions for employees involved in high-pressure gas safety and engineering (September)
- Hosted simulation-based safety training sessions using VR and compact, portable equipment (for new graduates)
- Provided thorough guidance on the three basic safety rules for machinery and equipment (through safety audits, etc.)

**Offering Safe and Secure Products and Services (Commitment to Customers)****Company-wide Policy on Quality**

To provide products and services that meet its customers' high expectations and earn their trust, in 2012, Air Water formulated the Company-wide Policy on Quality. Through this policy, we are promoting quality assurance and raising employees' awareness of the importance of quality. We have also set a Company-wide Quality Target as a means of improving quality levels and reducing quality risks. We are making groupwide efforts toward further improvement of quality, focusing on safety and security.

**Company-wide Policy on Quality**

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

**Company-wide Quality Target**

Follow the Quality Compliance Guidelines and reduce quality risks in Air Water Group products.

**Improved Compliance Relating to Quality****Quality Compliance Guidelines**

To prevent wrongdoing, major complaints, large-scale recalls and any other issues that may undermine society's trust in us and cause untold economic losses, we instituted the Air Water Group Quality Compliance Guidelines in 2018. The guidelines stipulate the basics of the Group's activities toward reducing quality compliance risks, and set forth policies for departments and Group companies to improve their risk management.

**Quality Risk Surveys**

Based on our Quality Compliance Guidelines, once a year we carry out quality risk surveys. Through these self-assessment surveys, each business division and Group company determines the size of compliance risks associated with product quality from a material, human, and economic perspective. Audits are conducted at departments and companies that are deemed to pose a high risk, and measures to reduce risks are put in place.

**Fair Business Practices across the Supply Chain (Commitment to Suppliers)****Air Water Group Sustainable Procurement Policy**

As we aim to fulfill our Sustainability Vision—to achieve a recycling-oriented society through coexistence with society and the earth—in addition to building strong partnerships with our business partners, we believe it is necessary to conduct procurement activities that consider the global environment and basic human rights across the supply chain.

**Air Water Group Sustainable Procurement Policy****1 Consideration for the global environment**

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

**2 Quality/price/delivery time/low carbon**

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

**3 Achievement of a smart society**

In our procurement activities, we will take on board the proposals of suppliers to ensure use of the latest technologies so that we can contribute to a more prosperous, safer smart society.

**4 Legal compliance and respect for international standards of conduct**

While complying with the laws of each country, we will fulfill our social responsibility to respect international standards of conduct in procurement activities. We will also take care to eliminate any infringement of intellectual property rights in our procurement activities.

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

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

**6 Information security**

We will strictly manage any confidential or personal information relating to our procurement activities.

**7 Business continuity**

We will work with our suppliers to ensure business continuity in any emergency, including in large-scale natural disasters.

**Fair Dealings****Strict Compliance with the Antimonopoly Act**

The Antimonopoly Act aims to promote fair and free competition, and those engaged in corporate activities must be in strict compliance with its principles. At the Air Water Group, we fully understand the importance of the Antimonopoly Act and are working to ensure thorough compliance throughout the Group. Moreover, compliance with the Antimonopoly Act is raised in the Air Water Group Code of Ethical Conduct, which prohibits market monopolization, unfair transactions, and improper transaction methods. We have also created an Antimonopoly Act Compliance Manual, which we have distributed to our employees to ensure fair practices across the Group.

**Compliance Training Seminars**

Maintaining and developing good relations with suppliers based on fair dealings is not only the bedrock on which our business is founded, it is also key to enhancing compliance.

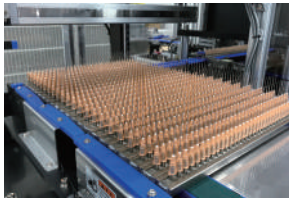
In fiscal 2020, we held four online compliance training seminars for Group company representatives and compliance officers. Expert consultants provided lectures mainly on the measures, systems, and awareness necessary to prevent violations before they occur. After each seminar, the content was shared across each company, serving to reinforce compliance throughout the Group.

## Promoting Social Contribution Activities (Commitment to Society)

At the Air Water Group, our three regional business companies and other Group companies are engaged in a diverse range of operations. In addition to pursuing locally rooted businesses, each company also offers support to their respective communities through the sponsorship of sporting, cultural, and art events, as well as through donations to regional governments. Between 2020 and 2021, each company offered a range of support to counter the COVID-19 pandemic.

### COVID-19 Measures

We engaged in a range of activities both in Japan and abroad to assist those affected by the COVID-19 pandemic.



Our Group company Misawa Medical Industry developed a low-dead space needle. This needle reduced the dead space in the syringe, where the drug solution would remain, and in turn contributed to smoother vaccinations



In response to the fifth wave of infections, we increased production of medical oxygen concentrators to respond to requests from local governments



We delivered 300 medical oxygen concentrators to India to provide emergency assistance in countering the spread of infections. We also prioritized an increase in production and supply of medical oxygen at our Indian hubs



We donated 100,000 US dollars to the Ecuador Fund Association to support vaccination efforts in Ecuador, where our Group company Ecofroz conducts business

### Initiatives to Promote Sport

Through support for athletes and sponsorship of sporting events, we are pouring efforts into further developing sports and nurturing the next generation of athletes.



We sponsor two professional female fencers, Misaki Emura and Yuka Ueno, both of whom represented Japan at the Tokyo Olympics

### Locally Rooted Initiatives

To play our part in solving the issues facing local communities, we support disaster recovery efforts and initiatives promoted by local governments.



Air Water West Japan donated a total of 30 million yen to support the reconstruction and restoration of Shuri Castle

(Left: Air Water West Japan President Toshinobu Doshi; Right: Okinawa Prefectural Governor Denny Tamaki)



Air Water Hokkaido is offering its support to the enhancement of functions at the Taiki Aerospace Research Field, which includes a rocket launch pad, and has donated a total of 50 million yen



Air Water Hokkaido has signed an agreement with Tomakomai City to offer its facilities for use during times of disaster  
(Left: Air Water Hokkaido President Yuji Kitagawa; Right: Tomakomai City Mayor Hirofumi Iwakura)

### Initiatives to Promote Nature and Culture

The Air Water Group is helping to promote nature and culture through sponsorship of nature, music, and art events in each region.



At the Flower Festa held in Sapporo in early summer, we sponsor the Gardening Koshien event, a gardening competition for agricultural high schools in Hokkaido



In the Nagano area, we sponsor the Northern Alps Art Festival and the Seiji Ozawa Matsumoto Festival (music festival)



**INTERVIEW**

**Workstyle Innovation Project**

**Promoting Workstyle Reforms in Anticipation of Business Innovations in the New Era**

**Yukari Nakaharai**  
 Project Leader  
 Workstyle Innovation Project  
 Corporate Business Innovation Division  
 Air Water Inc.



Utilizing the outbreak of COVID-19 as an opportunity, at the Air Water Group we have accelerated efforts to revise employee workstyles, something which we had already recognized as an issue that needs addressing. The Corporate Business Innovation Division was launched on June 1, 2020, to drive reforms in business activities and workstyles, and the Workstyle Innovation Project was set up as one of its initiatives. The project's aim is to ensure continued flexibility in employee workstyles beyond the pandemic, revitalize communication, increase productivity, and build a foundation for business transformation.

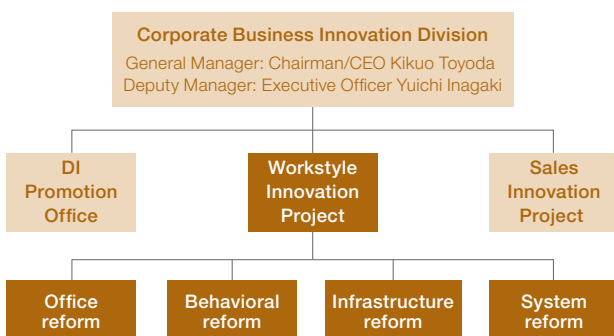
We first set out to revise each individual element of work that had become a matter of course. After much discussion, and using paper, meetings, and travel as starting points due to their influence on workstyles, we determined to promote reforms in four main areas: infrastructure, offices, employee behavior, and systems. We believe that the most important thing is to transform employee mindsets and in turn reform their behavior. While the Workstyle Innovation Project is central to efforts to reform in-house environments and systems, we have also positioned workstyle reform supervisors at each company, and we are promoting changes in employee mindsets and behavior by having each company take the lead in reform initiatives.

In fiscal 2020, we first began to innovate our communication infrastructure. In addition to switching to use of laptops and reinforcing our network so that it could be safely accessed from outside the company, we also integrated the networks of our associated companies—which previously had been independent—and boosted security. In our offices, we have switched to wireless LAN networks and open seating systems,

and are continuing with reforms to enable more functional, efficient workstyles. We also introduced Office 365, aiming to firmly establish more efficient means of work into our corporate culture. Elsewhere, we have adopted a new online meeting system and prohibited internal business trips, and promoted ways of work that minimize travel. Meanwhile, on top of streamlining meetings by reexamining their length and the number of attendees, we have introduced electronic account books, created a more efficient workflow for final decisions, and reduced use of paper in meeting materials.

Thanks to our efforts in fiscal 2020, we have already seen a reduction in number of photocopies and prints, as well as a decrease in time spent in regular meetings. We have also seen changes in less noticeable areas, such as employee mindsets and behavior. Improving our in-house communication infrastructure has revitalized communication between our departments and companies both inside and outside Japan. There are also many employees who have reexamined their own work and achieved more systematic, efficient ways of working. Moving forward, we will use questionnaires and other means to make our qualitative achievements more visible—be it changing mindsets or faster communication—and apply the results to future measures.

We continued to promote workstyle reforms in fiscal 2021, and in October 2021 we created a new work-from-home system. In further encouraging employee independence in this way, we aim to drive the shift to workstyles that are highly productive and that boost creativity. In the future, we hope to use the results of our workstyle reforms to generate synergy with other organizations and companies, and to create new value.



# Governance

The Air Water Group believes 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 one of our most important management tasks is to make ceaseless efforts to establish comprehensive corporate governance by enhancing the internal control system, enforcing compliance, and reinforcing risk management.



## Basic Approach

### Corporate Governance Code

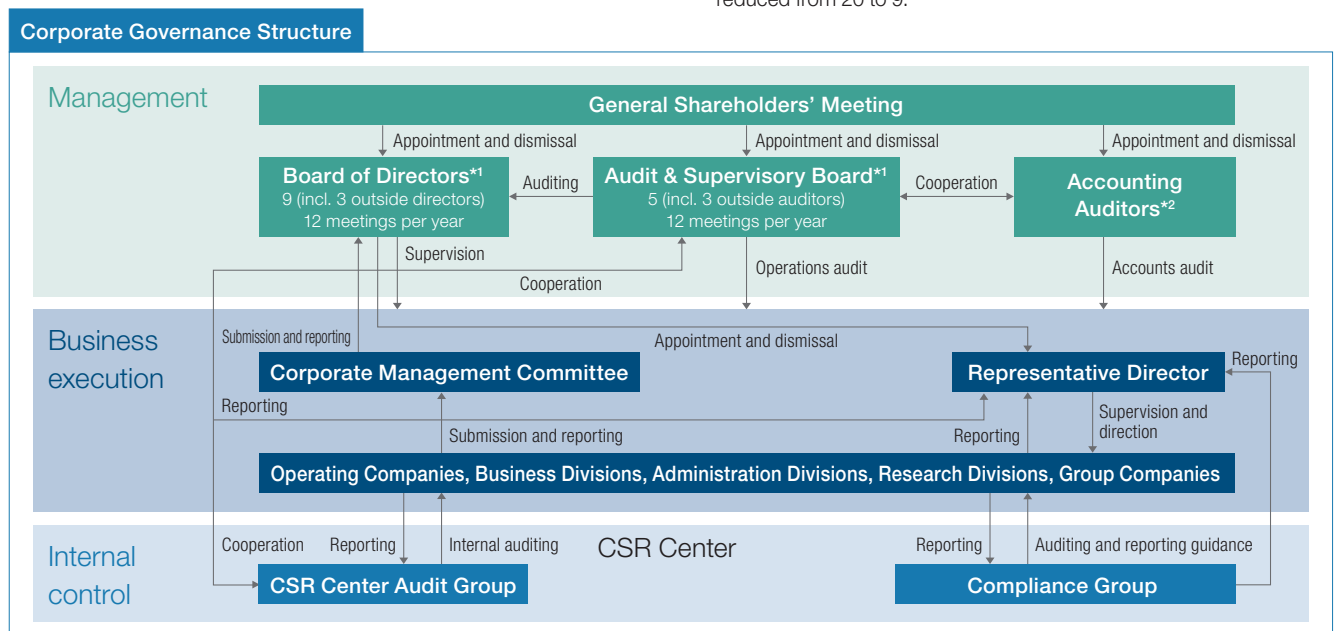
Details regarding some of Air Water’s activities in line with Japan’s Corporate Governance Code—established by the Tokyo Stock Exchange, effective June 1, 2015—are reported in our Corporate Governance Report, which is available to the public on the Air Water website.

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

### Summary of Corporate Governance System

Air Water is a company with an Audit & Supervisory Board, where the Board of Directors is responsible for making important management decisions and supervising business execution, and auditing of the execution of director duties and other matters is accomplished through Audit & Supervisory Board members attending meetings of the Board of Directors and other important committees. This management framework ensures appropriate decision-making and prompt business execution by directors while enabling proper supervision and monitoring of each director’s performance of duties.

In June 2020, to separate decision-making and business execution functions, and to enable more agile, rapid decision-making by the Board of Directors, the number of directors on the board was reduced from 20 to 9.



\*1 Board meeting frequency based on FY2020 numbers.

\*2 Auditing of accounts is carried out by KPMG AZSA LLC, with whom we have an auditing agreement.

## System Summary

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

**3/5** of the Audit & Supervisory Board are Independent outside auditors

**1** of the Board of Directors is female

### Nomination and Compensation Committee

Although at Air Water we do not have a voluntary advisory committee, to reinforce the independence, objectivity, and accountability of the Board of Directors in matters pertaining to management and director nomination and remuneration, we plan to set up a nomination and compensation committee following the general shareholders meeting scheduled for June 2022, with independent outside directors making up the majority.



## Board of Directors and Business Execution System

### Corporate Management Committee

As the body that supports accurate and quick decision-making in the Group's wide-ranging fields of business, the Corporate Management Committee comprises the general managers of each business division and other key managers, and in principle meets once a month. The committee conducts advance deliberations on the agenda items of the Board of Directors, and also deliberates on important items related to the Air Water Group's business execution.

### Internal Auditing Office

Internal audits are conducted regularly by the CSR Center Audit Group, the company's internal auditing unit, on the Air Water Group's compliance with laws, regulations, and internal rules and on the appropriateness and adequacy of the Group's business processes. The CSR Center Audit Group also conducts monitoring and supervision of the construction and operation of the internal control system for ensuring the reliability and appropriateness of financial reporting, and with respect to evaluations of the system's effectiveness, the CSR Center Audit Group fulfills the role of lead managing division under the responsibility and direction of the representative director.

In addition, along with the CSR Center Audit Group, Air Water has established the CSR Center Compliance Group as the dedicated department for cross-group management and governance in connection with compliance, disaster prevention, and environmental protection. When facts are found through internal audits that have the potential to seriously impact Air Water's management, there is a system for appropriately reporting them to the Audit & Supervisory Board and the representative director.

### Independent Officers

In order to ensure that the management supervisory function of the Board of Directors is highly effective, Air Water appoints independent outside directors and independent outside auditors with the capability and experience to contribute to the company's sustained growth and help increase its corporate value over the medium to long term.

#### Independence Judgment Criteria and Qualifications for Outside Officers

Air Water appoints as outside officers individuals who meet requirements and criteria stipulated in the Companies Act and by financial instrument exchanges and who meet the Judgment Criteria for the Independence of Outside Officers, which has been established by resolution of the Board of Directors. In addition, in selecting candidates for outside officer positions, the company puts emphasis on a high level of expertise and extensive experience that make possible honest and constructive recommendations and opinions with respect to the company's management.

Details of the Judgment Criteria for the Independence of Outside Officers are provided in our Corporate Governance Report.




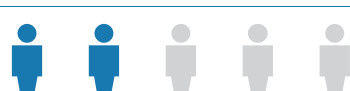
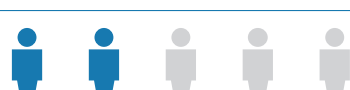

#### Support for Outside Officers

The Group Corporate Governance Department, which provides admin functions for the Board of Directors, distributes to outside directors materials pertaining to board meeting agendas and reports well in advance of meetings, and explains them where required.

Information and materials about the company that outside auditors require (or that are otherwise deemed appropriate for sharing among auditors) are relayed to them mainly by the standing statutory auditors.

## Board of Director Skillset

The board of directors is responsible for formulating the Air Water Group's basic management policies and ensuring appropriate supervision of management based on our diverse business portfolio. To ensure that the Board of Directors can fulfill these duties, we make sure of an optimal balance of individuals with experience in wide-ranging fields.

<b>Business strategy and management</b>	Individuals with abundant experience in corporate management and with comprehensive expertise on management strategies, including the formulation of management plans.	
<b>Marketing and global business</b>	Individuals with outstanding expertise in market analysis and other elements of marketing, and with abundant international experience and knowledge on global businesses.	
<b>Financial affairs and accounting</b>	Individuals with specialist expertise on financial affairs and accounting and a wealth of knowledge on M&A.	
<b>Technology, quality, and the environment</b>	Individuals with a wealth of knowledge on technology, quality, and the environment.	
<b>HR and diversity</b>	Individuals with abundant expertise on human resources, labor management, and personnel utilization.	
<b>CSR, risk management, and compliance</b>	Individuals with a wealth of knowledge on CSR, risk management, and compliance.	

## Officers' Remuneration

Directors are paid remuneration within a scale approved by a shareholders' meeting resolution, and adjusted in accordance with each individual's roles and responsibilities. Another consideration when deciding on remuneration is our belief that it is a powerful incentive for working to improve corporate value over the medium-to-long term. For remuneration to be approved, the representative directors deliberate on the matter before drawing up a remuneration table and receiving the input of the independent

outside directors before tabling it for approval at a Board of Directors meeting. Similarly, auditors are paid remuneration within a scale approved by a shareholders' meeting resolution, and finalized after discussion and decision by the auditors.

Following the general shareholders meeting scheduled for June 2022, we plan to set up a nomination and compensation committee, with independent outside directors making up the majority.

### Composition of Officers' Remuneration

Remuneration paid to directors (excluding outside directors) comprises three parts: a base fee, which is a fixed amount; bonuses, which are determined in accordance with the company's business performance; and restricted stock compensation, which serve as an incentive to pursue progress in business performance and share price over the medium-to-long term. In addition, starting in fiscal 2019, we have instituted a remuneration system to ensure that directors shoulder a greater share of the benefits and risks of share price movement along with shareholders. The new system assigns shares with transfer restrictions to directors (excluding outside directors) as a means of motivating them to work hard to drive share prices upward and improve corporate value. The remuneration paid to outside directors and auditors comprises only the basic fee and bonuses.

### Officers' Remuneration in FY2020

Category	Total remuneration, etc. (million yen)	Remuneration by type (million yen)			No. of officers included
		Fixed remuneration	Restricted stock compensation	Bonuses	
Director*	756	511	57	186	18
Auditor*	48	42	–	5	3
Outside officer	73	66	–	6	8

\*Excluding outside officers

\*The above figures include 12 directors, one auditor, and two outside officers who resigned in FY2020.

## Gauging the Board's Efficacy

To improve the overall effectiveness of the Board of Directors, every year all members of the Board of Directors and the Audit & Supervisory Board answer a self-assessment questionnaire, and the responses are analyzed and assessed with input from external institutions to identify current conditions and weaknesses in the board's overall effectiveness.

### Effectiveness Assessment Process



### Main positive points

The effectiveness assessment resulted in a mostly positive outcome, showing that the reorganization of the Board of Directors had led to an optimal composition; that it had the requisite size and diversity necessary for meaningful deliberations; that the number and contents of matters tabled for discussion at board meetings were appropriate; and that matters were fully deliberated upon, with members making statements and asking questions proactively.

### Challenges moving forward

Conversely, issues were raised regarding the Board of Directors' administrative office and the need to improve its operating structure, such as the need to provide more easily understandable explanations and materials relating to matters tabled before the board.

Moving forward, we will use the outcomes of the effectiveness assessments as part of our ongoing efforts to improve the board's functions.

## 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.

## Enforcing Compliance

### Compliance Structure

In the organizational structure for compliance management, the CSR Center Compliance Group has been set up as the supervising department under the direct control of the representative director, and is in charge of integrated management of compliance-related problems. The chief of the CSR Center Compliance Group is appointed from among executive officers. Further, each company has a department responsible for compliance that closely cooperates with the CSR Center Compliance Group, thereby enhancing the compliance structure of the 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 Handbook

### 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 2020, and discussed key matters pertaining to compliance at the Air Water Group.

### Internal Reporting System

Air Water has established an internal reporting system in order to ensure compliance-based management. Anyone who becomes aware of violations of laws or internal rules, or any acts which may violate them, can make a report. Points of contact for reporting have been established both inside and outside the company, and there is a provision ensuring that a person who makes a report will not suffer any disadvantage.

The points of contact, or hotline, for this internal reporting system are communicated to all Group employees by such means as the "compliance poster" displayed at all business sites.

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

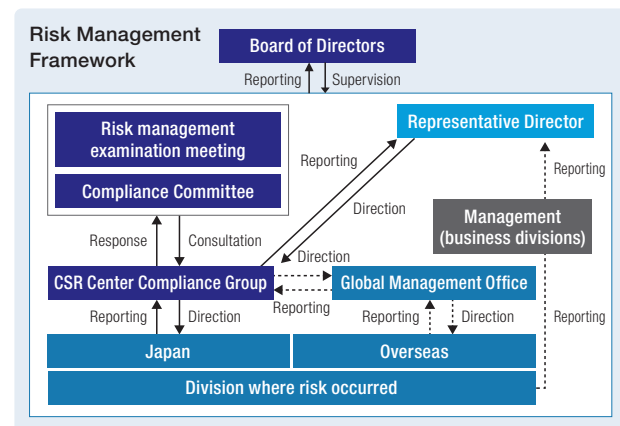
### Risk Management Structure

The CSR Center Compliance Group, which is under the direct control of the representative director, manages, as the supervisory division for the entire Group, the risks recognized as particularly important for business activities of the Air Water Group; namely, the risks concerning compliance, safety, disaster prevention, and environmental preservation.

Individual risks concerning information security, intellectual property, expansion of overseas businesses, business contracts, etc., are managed through actions at the level of each responsible division such as by formulating internal regulations, preparing manuals, and providing education and training, as well as through prior inspection and authorization procedures.

With the CSR Center Compliance Group serving as the secretariat, the risk management examination meeting is held regularly, helping to bolster the risk management framework of the entire Group.

Three risk management examination meetings were held in fiscal 2020, and participants examined the major risks associated with the Air Water Group and, among others, discussed the relevant countermeasures. At our overseas subsidiaries, the Global Management Office has introduced a risk management method to help our subsidiaries implement risks assessments and examine responses to risks, and it is also helping them to gradually put together business continuity plans.



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>

### Reinforcing Global Group Governance

In recent years, in line with its accelerated efforts to achieve global expansion through M&As, the Air Water Group has been working to enhance governance at its global Group companies. In addition to establishing the Global Management Office, an organization dedicated to overseeing governance and risk management at its global businesses, the Group has also formulated the Basic Guidelines for Global Businesses to ensure uniformity in its global expansion.

In fiscal 2020, the Global Management Office put together a set of global regulations for specific implementation of the Basic Guidelines for Global Businesses and is promoting the adoption of these regulations at our overseas subsidiaries. The office has also introduced a global communication system to function as a platform for even closer communication between overseas subsidiaries and Group companies in Japan. Elsewhere, the office hosts regular contact meetings online to accurately gauge management conditions at overseas subsidiaries in real time.

## Directors and Auditors

(Name / No. of shares held / Board of Director meeting attendance in FY2020 / Audit & Supervisory Board meeting attendance in FY2020 / Job title)  
(as of July 1, 2021)

### Directors



**Masahiro Toyoda**

221,455  
11/12  
Chairman Emeritus &  
Representative Director  
Chairman of the Board


- 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. (today's 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 and Representative Director, Air Water (current)



**Kikuo Toyoda**

53,963  
12/12  
Chairman &  
Representative Director  
and CEO


- 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.
- 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)



**Yasuo Imai**

53,097  
12/12  
Vice Chairman  
Assistant Chairman

- July 1971 Joined the Ministry of International Trade and Industry (today's Ministry of Economy, Trade and Industry)
- July 2003 Commissioner, Japan Patent Office
- Apr. 2008 Director & Vice President and General Manager of the Steel Pipe Company, Sumitomo Metal Industries Ltd. (today's Nippon Steel Corporation)
- June 2011 President & Representative Director and COO, Air Water
- Apr. 2017 Vice Chairman, Air Water
- June 2018 Vice Chairman, Air Water; Chairman and Representative Director, Japan Industrial and Medical Gases Association (current)



**Kiyoshi Shirai**

42,465  
12/12  
President &  
Representative Director  
and COO

- 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 Director and General Manager of the Industrial Gas Business Division and Industrial Equipment Business Division, Industrial Company, Air Water
- June 2014 Director and General Manager of the Management Planning Division, Air Water
- Apr. 2017 President & Representative Director and COO, Air Water (current)



**Masato Machida**

30,592  
12/12  
Representative Director  
& Executive Vice President  
Corporate Management  
Officer

- Apr. 1980 Joined Hoxan Corporation (today's Air Water)
- June 2005 Executive Officer and General Manager of Industry, Comprehensive Planning Office, Air Water
- June 2011 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, Air Water (current)



**Yuu Karato**

52,437  
12/12  
Executive Vice President  
Chief Representative for  
Hokkaido Operations

- Apr. 1977 Joined Sumitomo Metal Industries Ltd. (Nippon Steel Corporation)
- June 1994 General Manager of the Steel Planning Office, Steel Management Division, Sumitomo Metal Industries
- June 2004 General Manager of the Accounting Division, Sumitomo Metal Industries
- June 2006 Director and General Manager of the Accounting Division, Air Water
- Apr. 2017 Executive Vice President, Air Water (current)





**Yukiko Sakamoto**

3,839  
 █ 12/12  
 Outside Director  
 Independent Officer


- 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, Air Water (current)



**Isamu Shimizu**

0  
 █ 12/12  
 Outside Director  
 Independent Officer

- 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**

59  
 █ 10/10\*  
 Outside Director  
 Independent Officer

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

**Auditors**



**Hiromi Yanagisawa**

2,000  
 █ 12/12 █ 12/12  
 Standing Statutory Auditor

- 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 Auditor, Air Water (current)



**Yuji Ando**

10,957  
 █ 10/10\* █ 10/10\*  
 Standing Statutory Auditor


- Apr. 1971 Joined Hoxan Corporation (today's Air Water)
- June 2010 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 Auditor, Air Water (current)



**Kunihiko Tsuneyoshi**

59  
 █ 10/10\* █ 10/10\*  
 Outside Auditor (Managing)  
 Independent Officer

- 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 Auditor, Air Water (current)



**Atsushi Hayashi**

595  
 █ 12/12 █ 12/12  
 Outside Auditor  
 Independent Officer

- 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 Auditor, Air Water (current)



**Nobuo Hayashi**

595  
 █ 10/10\* █ 10/10\*  
 Outside Auditor  
 Independent Officer

- 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 Auditor, Air Water (current)

\*Attendance following appointment.



# Financial Data (10-Year)

## Japanese Generally Accepted Accounting Principles (JGAAP)

Fiscal year	2011	2012	2013	2014	2015	2016
Net sales	492,679	540,016	641,256	660,541	660,622	670,536
Operating income	31,672	27,897	35,078	36,126	39,524	41,341
Ordinary income	33,601	35,155	36,281	38,159	35,075	41,251
Profit attributable to owners of parent	17,167	18,365	19,225	20,702	20,139	22,337
Capital investment	22,843	34,110	32,348	32,028	42,236	40,587
Depreciation	20,373	22,058	24,337	25,222	26,620	25,524
<hr/>						
Cash flows from operating activities	39,661	30,057	48,248	51,071	43,512	58,873
Cash flows from investing activities	(28,695)	(42,501)	(52,186)	(35,483)	(40,647)	(44,357)
Cash flows from financing activities	(7,611)	10,253	4,620	(7,940)	(8,115)	(8,553)
Free cash flow	10,966	(12,443)	(3,938)	15,587	2,864	14,516
<hr/>						
<b>Fiscal year end</b>						
Total assets	430,547	484,328	528,092	547,642	575,832	629,115
Interest-bearing debt	119,385	141,295	155,479	154,864	157,795	172,403
Equity capital	170,448	185,599	203,500	226,375	234,726	255,984
<hr/>						
<b>Per-share data</b>						
Earnings per share (EPS, yen)	89.35	94.04	98.32	105.75	102.73	114.53
Net assets (BPS, yen)	873.78	949.63	1,040.22	1,155.80	1,196.92	1,312.55
Dividend (DPS, yen)	22	24	26	28	28	34
<hr/>						
<b>Major indicators</b>						
Recurring margin (%)	6.8	6.5	5.7	5.8	5.3	6.2
Return on assets (ROA, %)	8.0	7.7	7.2	7.1	6.2	6.8
Return on equity (ROE, %)	10.5	10.3	9.9	9.6	8.7	9.1
Equity capital ratio (%)	39.6	38.3	38.5	41.3	40.8	40.7
Net D/E ratio	0.57	0.65	0.66	0.58	0.57	0.55
Payout ratio (%)	24.6	25.5	26.4	26.5	27.3	29.7
<hr/>						
<b>Non-financial information</b>						
Consolidated number of employees as of fiscal year end (persons)	8,062	8,937	9,557	10,147	11,334	12,580
Number of consolidated subsidiaries	65	68	75	81	85	101

(Unit: million yen)

	2017	2018
	753,559	801,493
	42,398	43,580
	44,691	46,977
	25,173	26,468
	61,309	78,526
	27,119	27,620
	47,764	56,690
	(61,637)	(88,804)
	4,489	40,905
	(13,872)	(32,114)
	693,101	783,047
	203,183	263,165
	277,954	291,211
		Yen
	128.95	135.34
	1,422.60	1,487.58
	38	40
	5.9	5.9
	6.8	6.4
	9.4	9.3
	40.1	37.2
	0.65	0.79
	29.5	29.6
	14,265	15,757
	111	130

## International Financial Reporting Standards (IFRS)

(Unit: million yen)

Fiscal year	2018	2019	2020
Revenue	742,288	809,083	<b>806,630</b>
Operating income	42,799	50,616	<b>51,231</b>
Profit before tax	42,111	49,830	<b>49,651</b>
Profit	30,139	33,526	<b>30,410</b>
Profit attributable to owners of parent	28,815	30,430	<b>27,367</b>
Capital investment	82,269	62,900	<b>51,972</b>
Depreciation	30,776	34,994	<b>39,033</b>
Cash flows from operating activities	61,212	43,784	<b>76,601</b>
Cash flows from investing activities	(91,615)	(115,597)	<b>(52,699)</b>
Cash flows from financing activities	39,045	80,981	<b>(20,889)</b>
Free cash flow	(30,403)	(71,813)	<b>23,902</b>
<b>Fiscal year end</b>			
Total assets	785,944	899,699	<b>926,821</b>
Interest-bearing debt	276,942	334,248	<b>337,826</b>
Total equity attributable to owners of the parent	278,053	331,992	<b>357,797</b>
<b>Per-share data</b>			
Basic earnings per share (yen)	147.33	147.43	<b>120.98</b>
Dividends (yen)	40	44	<b>44</b>
Issued shares at end of the year	198,705,057	229,755,057	<b>229,755,057</b>
<b>Major indicators</b>			
Operating profit margin (%)	5.8	6.3	<b>6.4</b>
Profit before tax margin on total assets (%)	5.7	5.9	<b>5.4</b>
Profit margin attributable to owners of the parent (%)	10.6	10.0	<b>7.9</b>
Ratio of equity attributable to owners of the parent (%)	35.4	36.9	<b>38.6</b>
Net D/E ratio	0.88	0.88	<b>0.82</b>
Payout ratio (%)	27.1	29.8	<b>36.4</b>
Overseas sales revenue as a proportion of total sales (%)	5.0	6.9	<b>8.6</b>
<b>Non-financial information</b>			
Consolidated number of employees as of fiscal year end (persons)	15,825	18,211	<b>18,843</b>
Number of consolidated subsidiaries*	112	125	<b>124</b>

\*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.

# Financial Information International Financial Reporting Standards (IFRS)

## Consolidated Statement of Financial Position

(Unit: million yen)

	FY2019 (March 31, 2020)	FY2020 (March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	41,861	45,983
Trade and other receivables	187,402	188,664
Inventories	64,415	67,679
Other financial assets	5,794	4,590
Income taxes receivable	2,990	3,436
Other current assets	30,813	25,411
Total current assets	333,277	335,767
Non-current assets		
Property, plant and equipment	380,284	403,604
Goodwill	64,005	52,994
Intangible assets	19,352	28,397
Investments accounted for using the equity method	28,503	29,689
Retirement benefit assets	3,088	5,494
Other financial assets	62,365	67,827
Deferred tax assets	7,328	1,250
Other non-current assets	1,494	1,795
Total non-current assets	566,422	591,053
Total assets	899,699	926,821
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	137,945	135,716
Bonds and borrowings	105,386	56,636
Other financial liabilities	5,426	6,221
Income taxes payable	8,510	11,861
Provisions	1,211	893
Other current liabilities	25,020	27,799
Total current liabilities	283,500	239,128
Non-current liabilities		
Bonds and borrowings	195,648	250,876
Other financial liabilities	38,586	35,501
Retirement benefit liabilities	9,918	9,727
Provisions	2,354	2,831
Deferred tax liabilities	9,252	8,216
Other non-current liabilities	8,623	8,148
Total non-current liabilities	264,383	315,302
Total liabilities	547,884	554,431
Equity		
Share capital	55,855	55,855
Capital surplus	51,077	54,517
Treasury shares	(2,556)	(5,947)
Retained earnings	228,854	244,794
Other components of equity	(1,237)	8,578
Total equity attributable to owners of parent	331,992	357,797
Non-controlling interests	19,822	14,591
Total capital	351,815	372,389
Total liabilities and equity	899,699	926,821

## Consolidated Statement of Profit or Loss

(Unit: million yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
<b>Continuing operations</b>		
Revenue	809,083	806,630
Cost of sales	(628,463)	(625,734)
Gross profit	180,620	180,895
Selling, general and administrative expenses	(135,383)	(135,398)
Other income	9,122	6,767
Other expenses	(5,348)	(3,321)
Share of profit of investments accounted for using equity method	1,605	2,287
Operating income	50,616	51,231
Finance income	1,395	1,128
Finance costs	(2,181)	(2,707)
Profit before tax	49,830	49,651
Income tax expense	(16,085)	(19,292)
Profit from continuing operations	33,745	30,359
<b>Discontinued operations</b>		
Profit (loss) from discontinued operations	(218)	51
Profit	33,526	30,410
<b>Profit attributable to</b>		
Owners of parent	30,430	27,367
Non-controlling interests	3,095	3,042
Profit	33,526	30,410

Earnings per share		Yen
<b>Basic earnings (loss) per share</b>		
Continuing operations	148.49	120.75
Discontinued operations	(1.06)	0.23
Basic earnings per share	147.43	120.98
<b>Diluted earnings (loss) per share</b>		
Continuing operations	148.26	120.61
Discontinued operations	(1.06)	0.23
Diluted earnings per share	147.20	120.84

## Consolidated Statements of Comprehensive Income

(Unit: million yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Profit	33,526	30,410
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(3,681)	9,473
Remeasurements of defined benefit plans	(503)	1,612
Share of other comprehensive income of investments accounted for using equity method	23	(6)
Total of items that will not be reclassified to profit or loss	(4,160)	11,079
<b>Items that may be reclassified to profit or loss</b>		
Exchange differences on translation of foreign operations	(3,387)	959
Effective portion of cash flow hedges	2,583	(65)
Share of other comprehensive income of investments accounted for using equity method	42	60
Total of items that may be reclassified to profit or loss	(761)	955
Total other comprehensive income	(4,922)	12,035
Comprehensive income	28,604	42,445
<b>Comprehensive income attributable to</b>		
Owners of parent	24,438	39,407
Non-controlling interests	4,165	3,037
Comprehensive income	28,604	42,445

# Financial Information International Financial Reporting Standards (IFRS)

## Consolidated Statements of Changes in Equity

(Unit: million yen)

	Equity attributable to the owners of the parent										Non-controlling interests	Total equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity								Total
					Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedging	Share acquisition rights	Total			
Balance as of April 1, 2019	32,263	36,675	(3,463)	208,183	-	(228)	3,948	252	423	4,395	278,053	16,956	295,009
Profit	-	-	-	30,430	-	-	-	-	-	-	30,430	3,095	33,526
Other comprehensive income	-	-	-	-	(598)	(3,288)	(3,617)	1,512	-	(5,992)	(5,992)	1,069	(4,922)
Comprehensive income	-	-	-	30,430	(598)	(3,288)	(3,617)	1,512	-	(5,992)	24,438	4,165	28,604
Issuance of new shares	23,591	23,433	-	-	-	-	-	-	-	-	47,025	-	47,025
Purchase of treasury shares	-	-	(3)	-	-	-	-	-	-	-	(3)	-	(3)
Disposal of treasury shares	-	54	910	-	-	-	-	-	(98)	(98)	867	-	867
Dividends	-	-	-	(8,050)	-	-	-	-	-	-	(8,050)	(518)	(8,569)
Share-based remuneration transactions	-	-	-	-	-	-	-	-	21	21	21	-	21
Changes in ownership interest	-	(2,006)	-	-	-	-	-	-	-	-	(2,006)	(1,177)	(3,183)
Increase (decrease) resulting from inclusion of subsidiaries in consolidation	-	(15)	-	(1,393)	-	-	-	-	-	-	(1,409)	650	(759)
Capital increase of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,474	1,474
Increase by merger	-	-	-	235	-	-	-	-	-	-	235	-	235
Transfer from other components of equity to retained earnings	-	-	-	(550)	598	-	(47)	-	-	550	-	-	-
Put options written on non-controlling interests	-	(7,064)	-	-	-	-	-	-	-	-	(7,064)	(1,617)	(8,682)
Transfers to non-financial assets	-	-	-	-	-	-	-	(114)	-	(114)	(114)	(110)	(225)
Total transactions with owners	23,591	14,401	907	(9,759)	598	-	(47)	(114)	(76)	359	29,500	(1,299)	28,201
Balance as of March 31, 2020	55,855	51,077	(2,556)	228,854	-	(3,517)	283	1,649	346	(1,237)	331,992	19,822	351,815
Profit	-	-	-	27,367	-	-	-	-	-	-	27,367	3,042	30,410
Other comprehensive income	-	-	-	-	1,678	967	9,387	6	-	12,040	12,040	(4)	12,035
Comprehensive income	-	-	-	27,367	1,678	967	9,387	6	-	12,040	39,407	3,037	42,445
Purchase of treasury shares	-	-	(7,834)	-	-	-	-	-	-	-	(7,834)	-	(7,834)
Disposal of treasury shares	-	1,976	4,443	-	-	-	-	-	(21)	(21)	6,397	-	6,397
Dividends	-	-	-	(10,467)	-	-	-	-	-	-	(10,467)	(377)	(10,844)
Changes in ownership interest	-	667	-	-	-	(0)	93	(0)	-	93	760	(8,323)	(7,562)
Increase (decrease) resulting from inclusion of subsidiaries in consolidation	-	-	-	(3,016)	-	111	-	-	-	111	(2,904)	828	(2,075)
Decrease by merger	-	-	-	(200)	-	-	-	-	-	-	(200)	-	(200)
Transfer from other components of equity to retained earnings	-	-	-	2,256	(1,678)	-	(577)	-	-	(2,256)	-	-	-
Put options written on non-controlling interests	-	797	-	-	-	-	-	-	-	-	797	(250)	546
Transfers to non-financial assets	-	-	-	-	-	-	-	(151)	-	(151)	(151)	(145)	(296)
Total transactions with owners	-	3,440	(3,391)	(11,427)	(1,678)	111	(484)	(151)	(21)	(2,224)	(13,602)	(8,268)	(21,871)
Balance as of March 31, 2021	55,855	54,517	(5,947)	244,794	-	(2,437)	9,186	1,504	325	8,578	357,797	14,591	372,389



## Consolidated Statements of Cash Flows

(Unit: million yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before tax	49,830	49,651
Profit (loss) before tax from discontinued operations	(220)	(12)
Depreciation and amortization	34,994	39,033
Gain on bargain purchase	(2,089)	-
Interest and dividend income	(1,266)	(1,012)
Interest expense	1,935	2,108
Share of loss (profit) of investments accounted for using equity method	(1,605)	(2,287)
Loss (gain) on sale and retirement of fixed assets	(736)	277
Loss on liquidation of business	1,277	-
Decrease (increase) in trade and other receivables	11,510	1,170
Decrease (increase) in inventories	(3,741)	(2,778)
Increase (decrease) in trade and other payables	(19,662)	(1,120)
Decrease (increase) in contract assets	(3,768)	2,042
Increase (decrease) in contract liabilities	(2,942)	1,307
Other	(4,331)	3,993
Subtotal	59,183	92,375
Interest and dividends received	1,626	1,560
Interest paid	(1,932)	(2,082)
Income taxes refund (paid)	(15,093)	(15,251)
Net cash provided by (used in) operating activities	43,784	76,601
Cash flows from investing activities		
Purchase of property, plant and equipment	(61,863)	(50,316)
Proceeds from sale of property, plant and equipment	2,663	1,707
Purchase of intangible assets	(2,324)	(1,711)
Purchase of investment securities	(8,658)	(2,781)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(17,472)	(1,566)
Payments for loans receivable	(17,113)	(2,695)
Collection of loans receivable	18,516	2,002
Payments for acquisition of businesses	(45,928)	(54)
Proceeds from sale of businesses	14,158	-
Other	2,424	2,716
Net cash provided by (used in) investing activities	(115,597)	(52,699)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,105	(31,284)
Proceeds from long-term borrowings	49,476	63,464
Repayments of long-term borrowings	(21,633)	(28,659)
Proceeds from issuance of bonds	10,000	10,000
Payments for redemption of bonds	(250)	(10,150)
Purchase of additional shares of subsidiaries	(3,058)	(1,840)
Proceeds from sale and leaseback transactions	1,166	1,927
Repayments of lease liabilities	(6,029)	(5,946)
Proceeds from issuance of shares	46,955	-
Payments for purchase of treasury stock	(3)	(7,834)
Dividends paid	(8,029)	(10,463)
Dividends paid to non-controlling interests	(2,703)	(787)
Other	1,984	685
Net cash provided by (used in) financing activities	80,981	(20,889)
Effect of exchange rate changes on cash and cash equivalents	(669)	97
Net increase (decrease) in cash and cash equivalents	8,499	3,110
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,253	1,011
Cash and cash equivalents at beginning of period	32,108	41,861
Cash and cash equivalents at end of year	41,861	45,983

# Major Group Companies (as of October 1, 2021)

Air Water's  
Share of Voting  
Rights (%)

Company Name	Head Office	Major Business Activities	Air Water's Share of Voting Rights (%)
<b>Regional Business Companies</b>			
Air Water Hokkaido Inc.	Sapporo City, Hokkaido	Sale of industrial gas and medical gas, LP gas, and related equipment	100.0
Air Water East Japan Inc.	Minato-ku, Tokyo	Sale of industrial gas and medical gas, LP gas, and related equipment	100.0
Air Water West Japan Inc.	Osaka City, Osaka	Sale of industrial gas and medical gas, LP gas, and related equipment	100.0
<b>Industrial Gas Business</b>			
NSCC Air Water Inc.	Chuo-ku, Tokyo	Manufacture and sale of industrial gas	65.0
Air Water Carbonic Inc.	Minato-ku, Tokyo	Manufacture and sale of liquid nitrogen gas and dry ice	100.0
Air Water Hydrogen Corp.	Minato-ku, Tokyo	Manufacture and sale of industrial hydrogen gas	95.0
Japan Pionics Co., Ltd.	Hiratsuka City, Kanagawa	Manufacture and sale of gas purification equipment and flue gas treatment equipment	100.0
Nihon Dennetsu Co., Ltd.	Azumino City, Nagano	Manufacture and sale of electric heating devices and controllers for industrial applications	100.0
Air Water Plant & Engineering Inc.	Sakai City, Osaka	Design, production, sale and maintenance of various types of gas generation units, gas applications, and related equipment	100.0
Air Water India Pvt. Ltd.	India	Manufacture and sale of industrial gas	100.0
<b>Chemical Business</b>			
Air Water Performance Chemical Inc.	Kawasaki City, Kanagawa	Manufacture and sale of petrochemical products, inorganic chemical products, and carbon products, etc.	100.0
<b>Medical Business</b>			
Misawa Medical Industry Co., Ltd.	Kasama City, Ibaraki	Production and sale of needles and syringes, etc.	100.0
Air Water Medi H, Co., Ltd.	Shinagawa-ku, Tokyo	Contract sterilization of medical equipment and materials, and SPD services for medical institutions	100.0
Orion Radsafe Medical Co., Ltd.	Shinagawa-ku, Tokyo	Manufacture and sale of radiation-related medical equipment	100.0
Air Water Link Inc.	Kyoto City, Kyoto	Sale and maintenance of cardiovascular devices, dialysis devices, and surgical equipment	97.2
Denken-Highdental Co., Ltd.	Kyoto City, Kyoto	Design, production and sale of dental equipment, dental materials, and laboratory equipment	100.0
Kawamoto Corporation	Osaka City, Osaka	Manufacture and sale of sanitary products, medical supplies, etc.	50.1
Air Water Safety Service Inc.	Kobe City, Hyogo	Operating rooms, installation of medical gas pipes, and design, manufacture and sale of ventilators, fire extinguishing units, etc.	100.0
Ci Medical Co., Ltd.	Hakusan City, Ishikawa	Online sale and wholesale of dental and medical supplies	39.2
Globalwide International Pte. Ltd. Globalwide M&E Pte. Ltd.	Singapore	Design and installation of hospital interiors and facilities	70.0
<b>Agriculture and Food Products Business</b>			
Air Water Agriculture & Foods Inc.	Shinagawa-ku, Tokyo	Purchase, development, and sale of processed meat products (ham and deli meats), side dishes, and frozen food products, etc.	100.0
Gold Pak Co., Ltd.	Shinagawa-ku, Tokyo	Manufacture and sale of fruit and vegetable juices and other beverages including some soft drinks	100.0
Kyusuyaya Co., Ltd.	Hachioji City, Tokyo	Operation of fruit and vegetable retailing stores in department stores, station buildings and shopping centers	55.0
Plecia Co., Ltd.	Atsugi City, Kanagawa	Manufacture and sale of Japanese confectionery and Western confectionery	*
Ecofroz S.A.	Ecuador	Manufacture and sale of frozen vegetables	97.2
*Wholly owned subsidiary of Air Water Agriculture & Foods Inc.			
<b>Logistics Business</b>			
Air Water Logistics Co., Ltd.	Sapporo City, Hokkaido	Distribution of high-pressure gas, general freight, food, medical and environmental items, and distributive processing services	100.0
Hokkaido Shatai Co., Ltd.	Kitahiroshima City, Hokkaido	Design, manufacture, sale, and repair of truck bodies; vehicle inspection and certification	82.6
Air Water Food Logistics Co., Ltd.	Sendai City, Miyagi	Low-temperature food distribution, and contract warehouse storage and warehouse work	100.0
East Japan Air Water Logistics Co., Ltd.	Yokohama City, Kanagawa	Distribution of high-pressure gas, general freight, food, medical and environmental items, and distributive processing services	100.0
West Japan Air Water Logistics Co., Ltd.	Osaka City, Osaka	Distribution of high-pressure gas, general freight, food, medical and environmental items, and distributive processing services	100.0
<b>Seawater Business</b>			
Nihonkaisui Co., Ltd.	Chiyoda-ku, Tokyo	Production and sale of salt and salt byproducts; environmental business, electric power business	100.0
Tateho Chemical Industries Co., Ltd.	Chiyoda-ku, Tokyo	Production and sale of magnesium oxide, fused magnesia, magnesium hydroxide, and ceramic products	100.0
Aquaintec Corporation	Kikugawa City, Shizuoka	Pipe renewal business, manufacturing of water treatment machinery, and sale of environmental equipment and materials	*
*Wholly owned subsidiary of Nihonkaisui Co., Ltd.			
<b>Other Businesses</b>			
Air Water & Energia Power Onahama Corporation.	Iwaki City, Fukushima	Operation and maintenance of woody biomass mono-fired power generation plant and sale of electricity	51.0
Air Water Sol Inc.	Chiyoda-ku, Tokyo	OEM supply of aerosol products, and manufacture and sales of its own branded products	100.0
Air Water Materials Inc.	Minato-ku, Tokyo	Sale and export/import of semiconductor manufacturing chemicals, chemical industry chemicals, synthetics resins, and electric and electronic materials	99.9
Air Water Mach Inc.	Matsumoto City, Nagano	Manufacture and sale of industrial rubber products and resin products	100.0
Air Water & Energia Power Yamaguchi Co., Ltd.	Hofu City, Yamaguchi	Operation and maintenance of woody biomass and coal co-combustion power plants, and sales of the power from those plants	51.0
Matsuo Holdings K.K.	Kitakyushu City, Fukuoka	Business management of subsidiaries engaged in construction work, engineering work, and paving work, etc.	65.0
Power Partners Pte. Ltd.	Singapore	Engineering and maintenance of uninterruptible power supplies	80.0
Hitec Holding B.V.	The Netherlands	Business management of subsidiaries that produce and sell rotary-type uninterruptible power supplies	100.0

## Corporate Profile / Stock Information

### Corporate Profile

(as of September 30, 2021)

<b>Company Name</b>	AIR WATER INC.
<b>Head Office</b>	12-8, Minami-Semba 2-chome, Chuo-ku, Osaka, 542-0081, Japan Tel: (+81) 6-6252-5411 Fax: (+81) 6-6252-3965
<b>Established</b>	September 24, 1929
<b>Paid-in Capital</b>	¥55,855 million
<b>Number of Employees</b>	19,062 (consolidated)
<b>URL</b>	<a href="https://www.awi.co.jp/english/">https://www.awi.co.jp/english/</a>

### Principal Shareholders

(as of September 30, 2021)

Company	Number of shares held (thousands)	Ratio of shares held (%)
<b>The Master Trust Bank of Japan, Ltd. (trust account)</b>	31,991	13.98
<b>Custody Bank of Japan, Ltd. (trust account)</b>	16,999	7.43
<b>Sumitomo Mitsui Trust Bank, Limited</b>	7,936	3.47
<b>Nippon Steel Corporation</b>	6,900	3.01
<b>Sumitomo Mitsui Banking Corporation</b>	6,259	2.73
<b>Air Water Customers' Stockholding</b>	5,632	2.46
<b>North Pacific Bank, Ltd.</b>	4,574	2.00
<b>The Hokkaido Bank, Ltd.</b>	4,113	1.80
<b>National Mutual Insurance Federation of Agricultural Cooperatives</b>	3,886	1.70
<b>STATE STREET BANK AND TRUST COMPANY 505001</b>	3,857	1.69

### Information on Shares

<b>Fiscal Year</b>	From April 1 to March 31
<b>Annual General Meeting of Shareholders</b>	Held in June every year
<b>Record Dates</b>	Annual meeting of shareholders: March 31 Year-end dividend: March 31 Interim dividend: September 30
<b>Total Number of Issued Shares</b>	229,755,057 shares
<b>Number of Shares per Unit</b>	100 shares

<b>Manager of the Register of Shareholders</b>	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
<b>Telephone Number for Inquiries</b>	0120-782-031 (toll-free in Japan)
<b>URL</b>	<a href="https://www.smtb.jp/personal/agency/index.html">https://www.smtb.jp/personal/agency/index.html</a>
<b>Method of Public Notice</b>	Electronic public notice [URL of Air Water Inc. on which public notice will be posted] <a href="http://www.awi.co.jp/ir/koukoku.html">http://www.awi.co.jp/ir/koukoku.html</a>
<b>Listed Financial Instruments Exchanges</b>	Tokyo, Sapporo
<b>Securities Code</b>	4088

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