



Meeting society's needs with nature's blessings.



## Medium-term Management Plan (FY2025 - 2027)

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terrAWell30 2nd stage

June 10, 2025





# Meeting society's needs with nature's blessings.

The Air Water Group is united under the Purpose of "meeting society's needs with nature's blessings." We have been working as one to contribute to enrich our society through solving social issues.

Our business provides constant and stable supply of products and services that are indispensable to our daily lives and industry. These fields now range from industrial gases that support manufacturing, to medical care that supports people's lives, to energy, agriculture, and food that are all closely related to our daily lives.

The Air Water Group will continue to grow by staying close to people and meeting the various needs of society.

# Agenda

## Contents

## Medium-term Management Plan (FY2025 - FY2027) terrAWell30 2nd stage

- Growth Path
- Review of the previous Medium-term Management Plan "terrAWell30 1st stage"
- Positioning of the new Medium-term Management Plan "terrAWell30 2nd stage"
- Five Management Policies for the 2nd stage
- Business Strategy
- Financial Strategy
- Human Capital Management
- Technology Strategy
- DX Strategy

## Appendix: ESG Initiatives



# **Medium-term Management Plan (FY2025 - FY2027) terrAWell30 2nd stage**





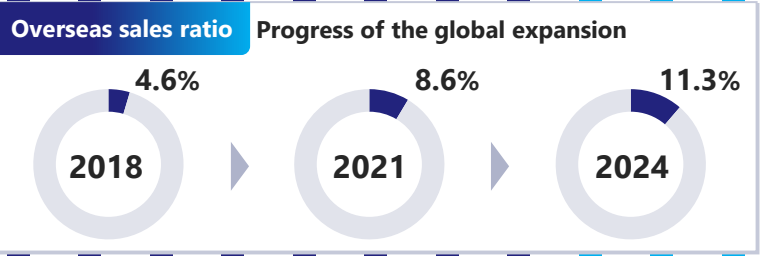
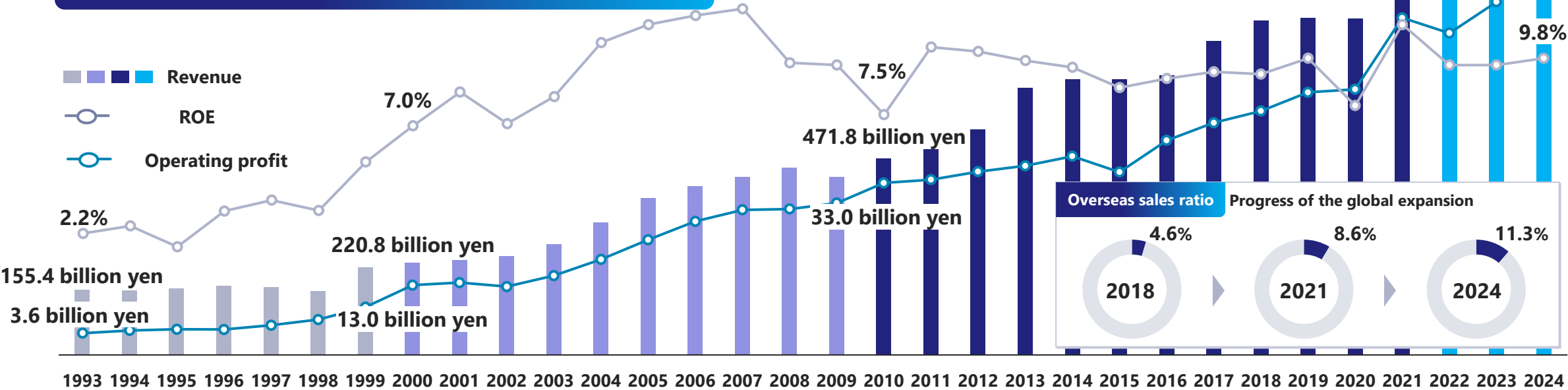
# Growth Path

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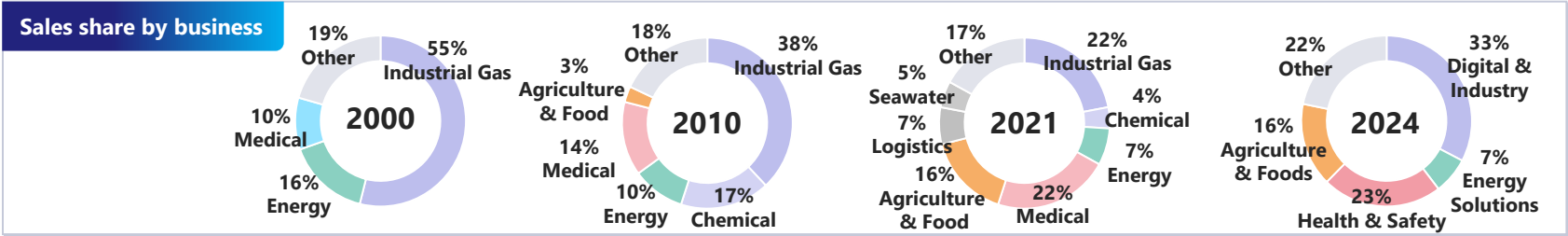
From the establishment of Air Water (FY2000) to FY2024  
CAGR (compound annual growth rate)  
Revenue **6.8%**  
Operating profit **7.6%**

FY2024 Revenue 1,075.9 billion yen  
Operating profit 75.2 billion yen



**Daido Hoxan** → **The 1st founding stage: Establishing the foundation as a gas manufacturer** → **The 2nd founding stage: Vision for a trillion-yen revenue company (expanding our business domains)** → **The 3rd founding stage**

**The 3rd founding stage: improve profits and advance global expansion with the growth pillars of "global environment" and "wellness".**





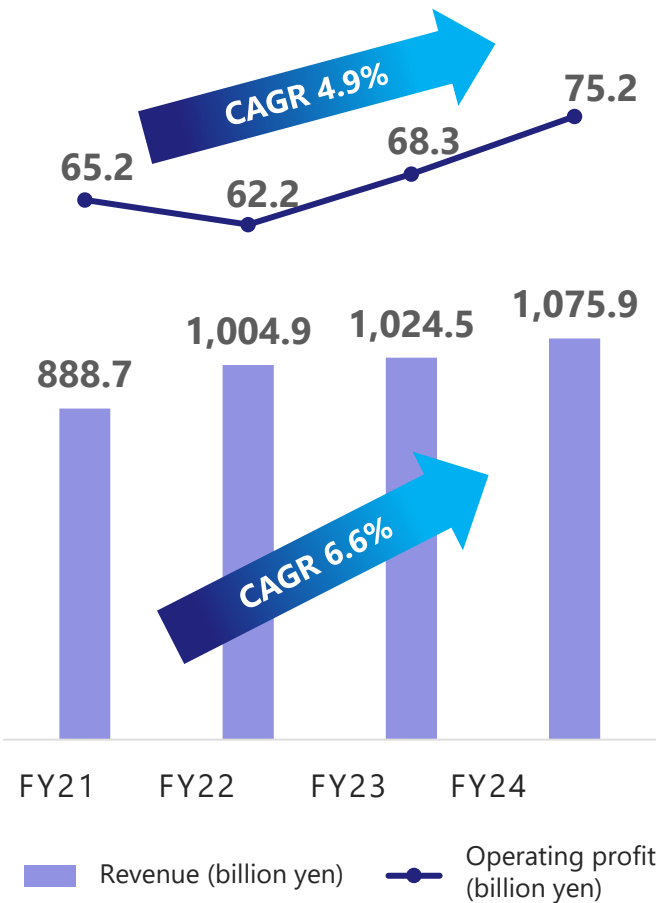
# Review of the previous Medium-term Management Plan "terrAWell30 1st stage"

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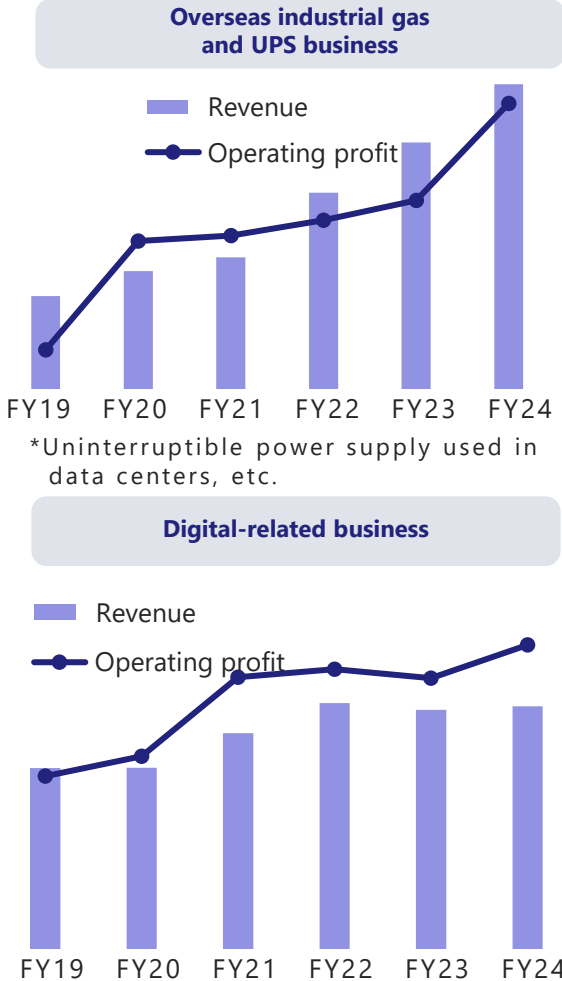


For the 1st stage, the compound annual growth rate (CAGR) was 6.6% for revenue and 4.9% for operating profit, while capital returns remained flat.

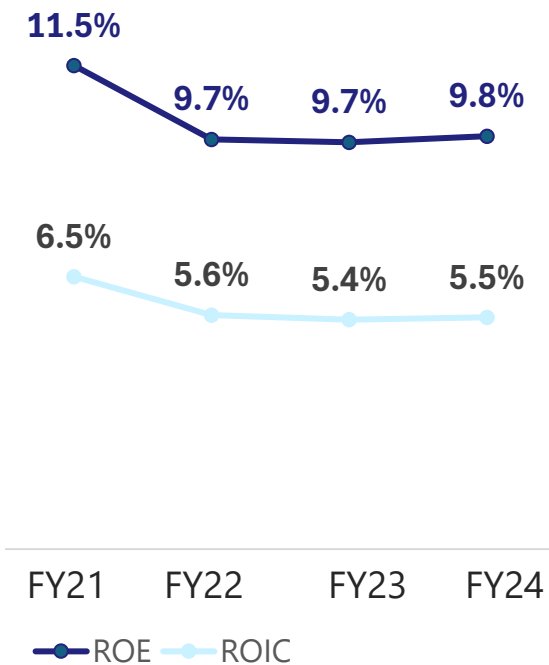
Revenue/Operating profit



Growth in Focus Areas



ROE/ROIC





# Positioning of the new Medium-term Management Plan "terrAWell30 2nd stage"

Meeting society's needs with nature's blessings.



## Numerical targets

### From expansion of scale to pursuit of profitability

	1st stage FY2022-FY2024	2nd stage FY2025-FY2027	3rd stage FY2028-FY2030
	<b>Expansion in scale</b>  Expansion of scale toward sales of 1 trillion sales yen	<b>Pursuit of profitability</b>  Thoroughly review existing businesses and invest management resources in growth businesses	<b>Evolution towards sustainable growth</b>  Aiming to be a one and only, indispensable company to society.
Operating profit margin	7.0%	8.5%	10.0% or higher
ROE	9.8%	11.0%	12.0% or higher
ROIC	5.5%	7.0%	8.0% or higher

Aiming to achieve a market capitalization of 1 trillion yen by 2030 (twice the current level)



# Five Management Policies for the 2nd stage

Seeking further growth under the following management policies:

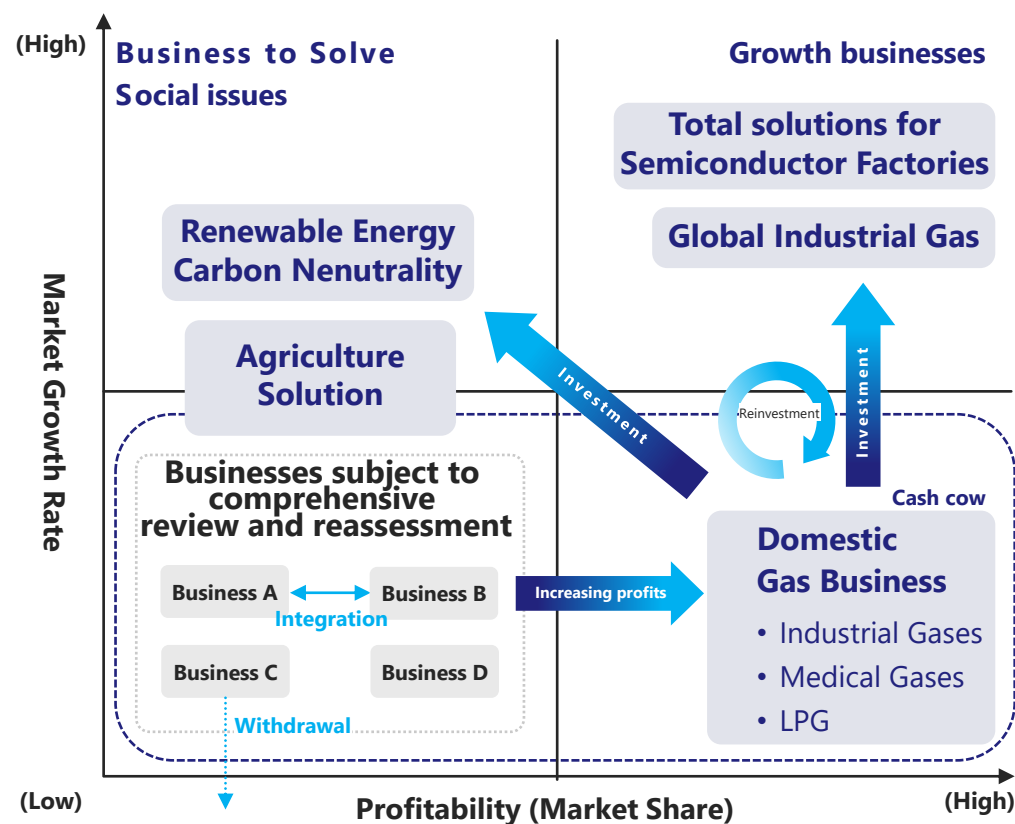
1 Business Strategy	1. Growth and Profitability	2. Investment and Growth
2 Financial Strategy	1. Improvement of PBR	2. Cash generation
3 Human Capital Management	1. "Maximizing the potential of human resources" and "Utilizing people in management "	
4 Technology Strategy	1. Medium- to Short-term Technology Strategy	2. Long-term Technology Strategy
5 DX Strategy	1. Productivity improvement	2. Allocation of human resources to growth areas



# 1 Business Strategy 1. Growth potential and profitability

## Business portfolio strategy

- Investing funds generated from cash cows, such as the domestic gas business, into high-growth businesses
- Low-growth, low-profit businesses are in the assessment phase, including potential withdrawal



## Pursuing profitability in existing businesses

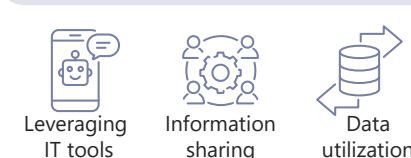
### Improving production efficiency

- Achieving highly efficient productivity through comprehensive business analysis and digital transformation

#### Improving productivity and improving operational efficiency



#### Improving productivity through digital transformation



### Reviewing transactions and ensuring effective price management

- Leveraging data to comprehensively reassess low-profit transactions by customer and product
- Ensuring effective price management to secure the funds essential for business continuity

### Strengthening the foundations through functional integration

- Driving optimization by streamlining manufacturing, enhancing cross-selling, and integrating production and sales operations
- Optimizing workforce allocation through functional integration and shifting personnel to growth fields

### Comprehensive review of low-profit businesses

- Implementing comprehensive improvements and efficiency measures, focusing on low-growth, low-profit businesses
- Considering the transfer to the best owner or withdrawal of businesses that do not meet the criteria for continuation, in view of the degree of improvement, prospects, and market growth potential (Implemented in stages during the current medium-term plan)

Increasing efficiency and allocating generated cash toward growth investments



# ① Business Strategy 1. Growth potential and profitability

## Growth strategies

### Digital and Semiconductor

#### Total solutions for semiconductor plants

- Continuing investment in high-purity gas plants essential for semiconductor manufacturing
- Strengthening the framework to provide group products and services that support semiconductor manufacturing in a one-stop solution, including gases as our core business, materials, special chemicals, related equipment, related construction, and logistics services
- Leveraging our comprehensive strengths to achieve sustainable business expansion, seeing the medium- to long-term expansion of demand for semiconductor as a growth opportunity.



#### Semiconductor Plant Comprehensive Proposal

Gases and materials	Construction and facilities	Services
Bulk gases	Plumbing	Resource recycling
Chemicals and materials	Fire-fighting equipment	Logistics
Special chemicals	Gas refining equipment	Uninterruptible power supplies

#### Digital and semiconductor related location map

25 strategic and sales locations

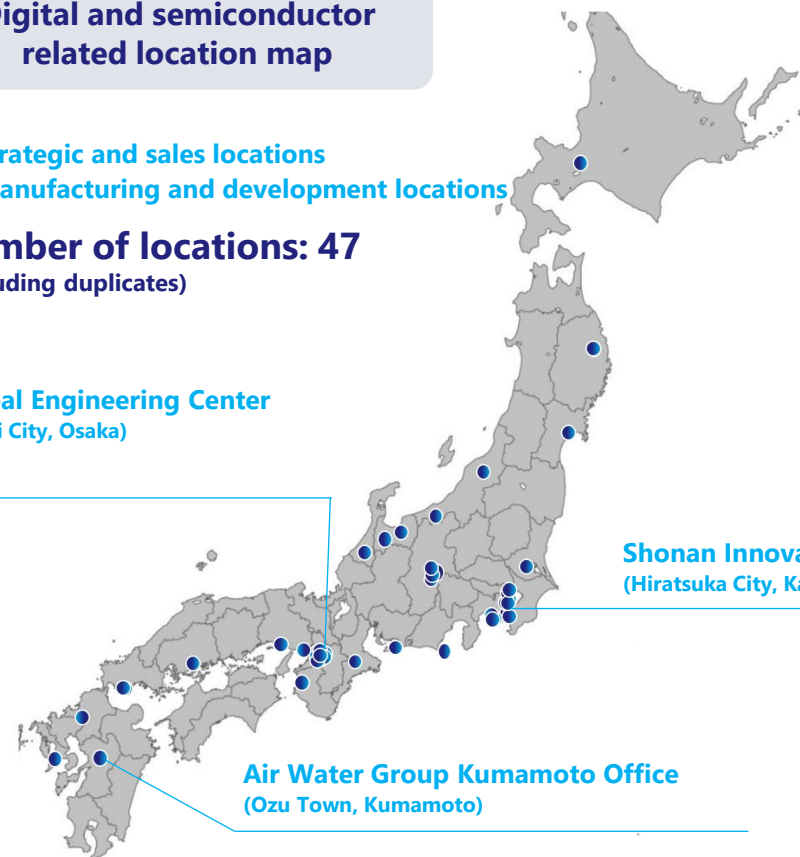
27 manufacturing and development locations

**Number of locations: 47**  
(excluding duplicates)

**Global Engineering Center**  
(Sakai City, Osaka)

**Shonan Innovation Lab**  
(Hiratsuka City, Kanagawa)

**Air Water Group Kumamoto Office**  
(Ozu Town, Kumamoto)





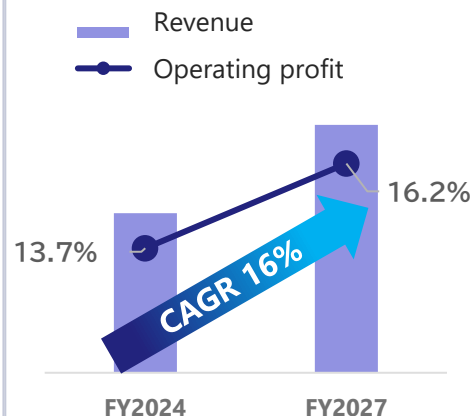
# ① Business Strategy 1. Growth potential and profitability

## Growth strategies

### Global Industrial Gas

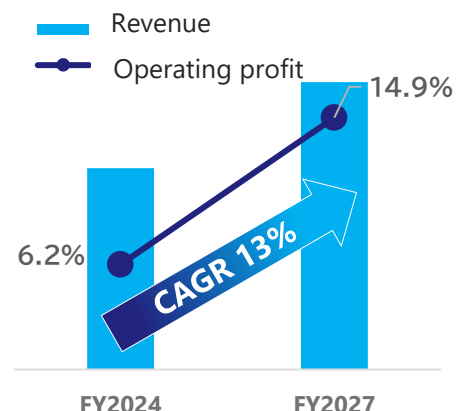
- Capturing India's robust demand for industrial gas, by combining our strengths in plant engineering and plant operation technology with added value such as energy conservation, decarbonization, and stable supply
- Steadily building a gas supply network in North America Realizing high profitability through comprehensive proposals combining gas and equipment for major customers, mainly in the digital and semiconductor fields

#### Indian Industrial Gas

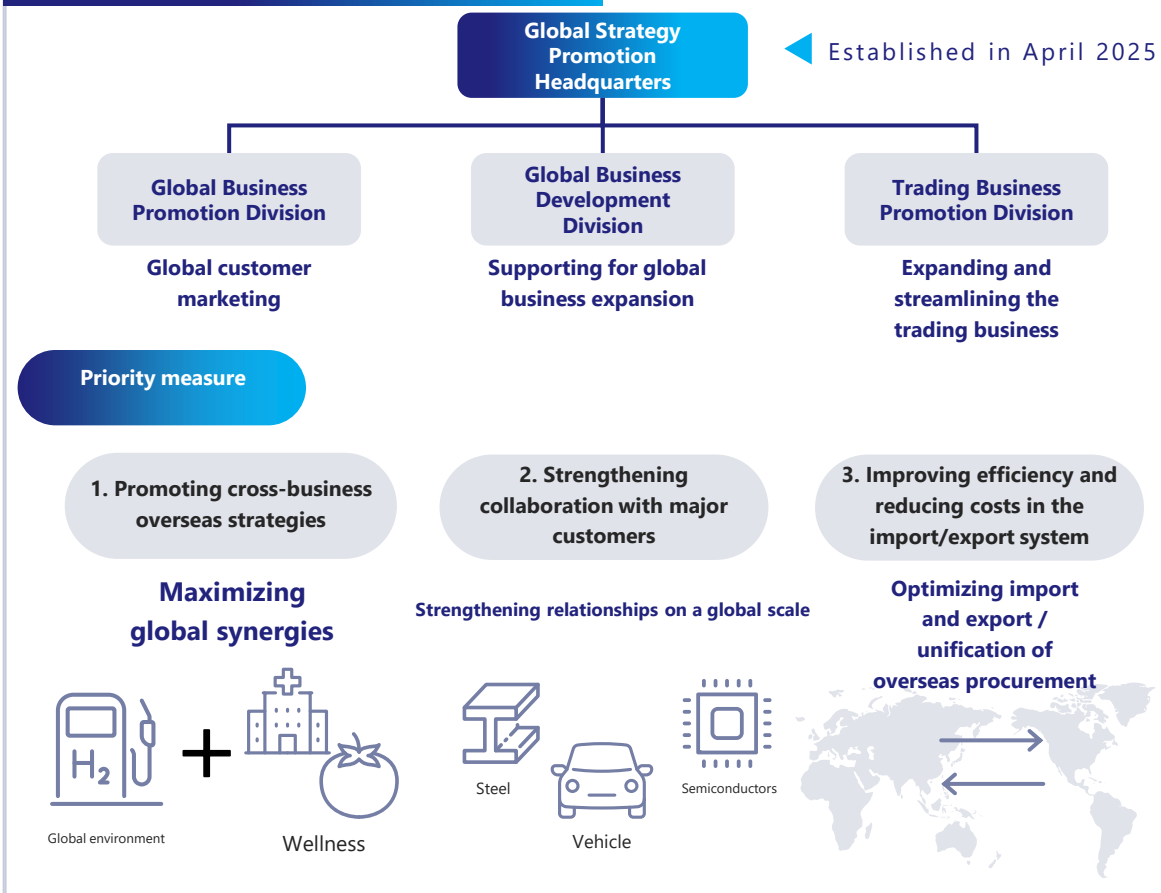


\*Excluding head office expenses, consolidated adjustments, etc.

#### North American Industrial Gas



### Global Promotion Framework



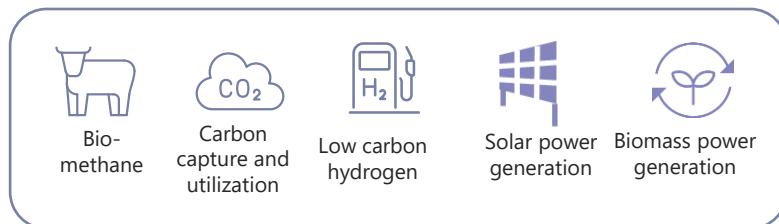


# ① Business Strategy 2. Investment and growth

## Long-Term Growth Strategy

### Renewable energy and carbon neutrality

- Leveraging our strengths in energy gas handling technology and the domestic gas supply network to commercialize renewable energy and grow our scale, viewing climate change as a social issue to be addressed, but also as a major business opportunity



- Utilizing region-specific energy resources and fostering industry-government-academia collaboration to develop community-based initiatives with social value

Odor and waste management issues related to livestock manure



Fuel conversion



Unused natural gas from hot springs



Hydrogen production  
CO<sub>2</sub>-free hydrogen

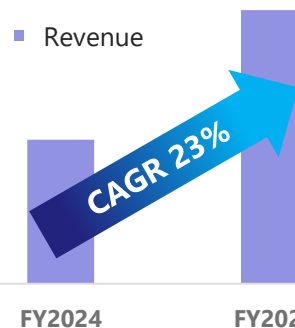


### Food security (Agricultural solutions)

- Utilizing a long-running agricultural business in Hokkaido to contribute to solving issues such as a decline in the number of farmers, massive food waste, and the northward shift of suitable production areas due to climate change
- Differentiating ourselves through our processing, preservation, and logistics capabilities, while supporting farmers, to build trust and strengthen procurement capabilities

#### Agricultural business in Hokkaido

■ Revenue



#### Production and Procurement

Leveraging agricultural machinery and expertise to support farming, strengthening contract cultivation through connections with producers, and enhancing procurement of fruit & vegetables



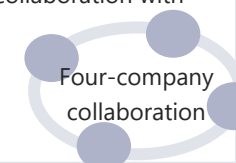
#### Processing and Storage

Expanding processing capabilities, maintaining quality to efficiently transform agricultural products into value, and enhancing preservation technology to enable sales at the optimal time



#### Logistics and Sales

Leveraging the logistics network that connects production and consumption regions to maximize the value of processing, distribution, and sales in collaboration with partners





# ① Business Strategy 2. Investment and growth

**Continuing efficient and speedy business execution through a unit-based system while flexibly establishing and reorganizing operations to create synergies**

**15 units**

◀ **Establishment and restructuring in April 2025**

 Global environment

 Wellness

## High growth units

Seeking breakthrough results in growth markets  
Expecting **50%** of the increase in operating profit over the three-year period of this medium-term plan

Global Engineering

Digital

Green innovation

Agriculture

## Stable growth unit

Seeking steady growth in stable markets

Industrial Gases

Gas Products

Energy Solutions

Seawater

Medical Products

Safety Services

Dental Care

Home Health Care

Foods

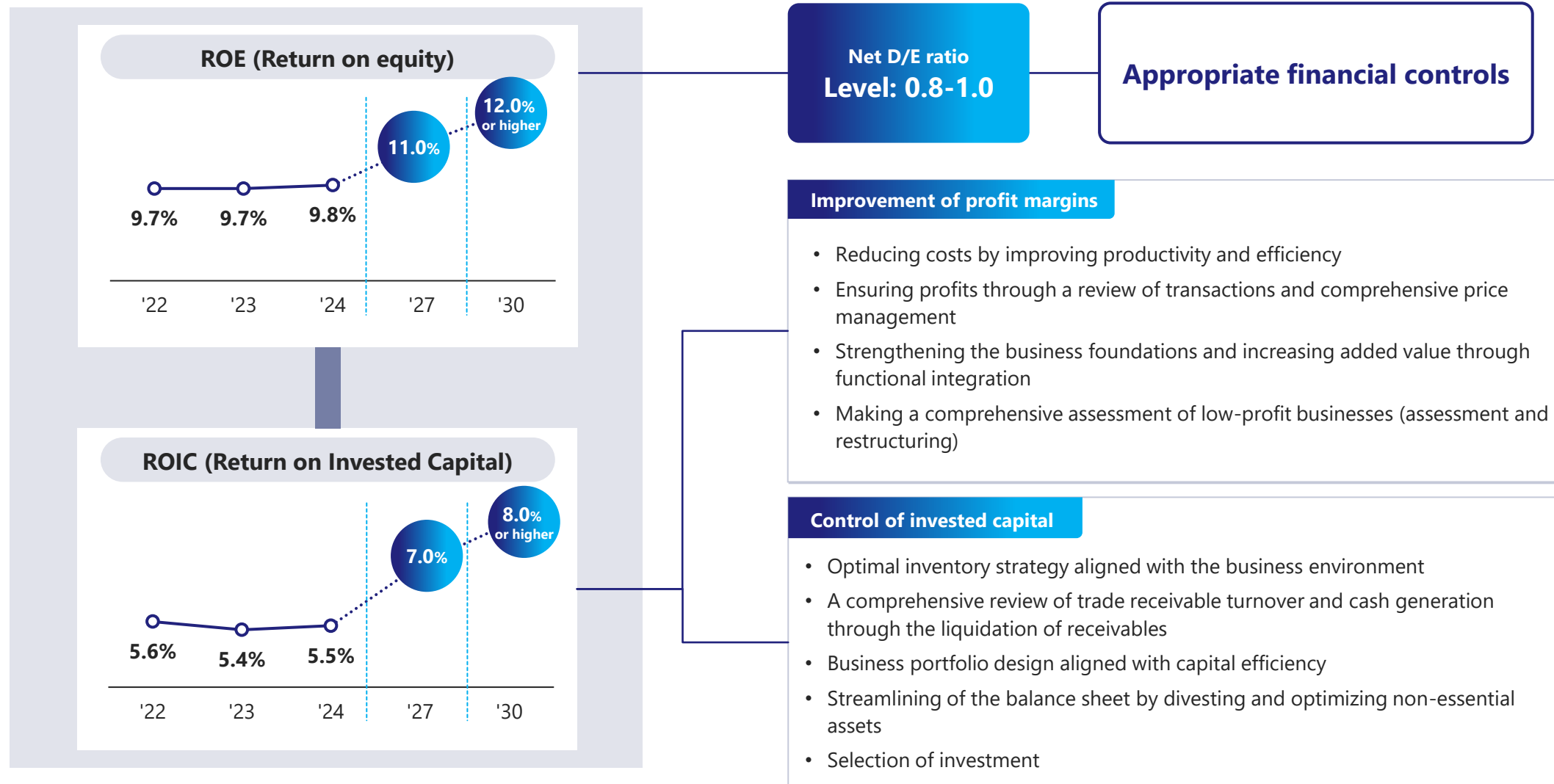
Beverage

Logistics



## ② Financial Strategy 1. Improvement of PBR

Striving for continuous improvements in market valuation (PBR) by achieving capital profitability that surpasses the expected rate of return (capital cost)



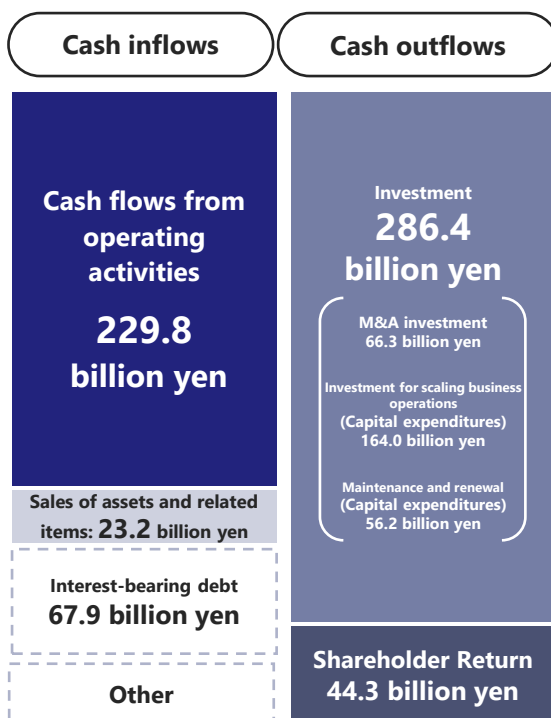


## ② Financial Strategy 2. Generating Cash

### Capital allocation(3-year total)

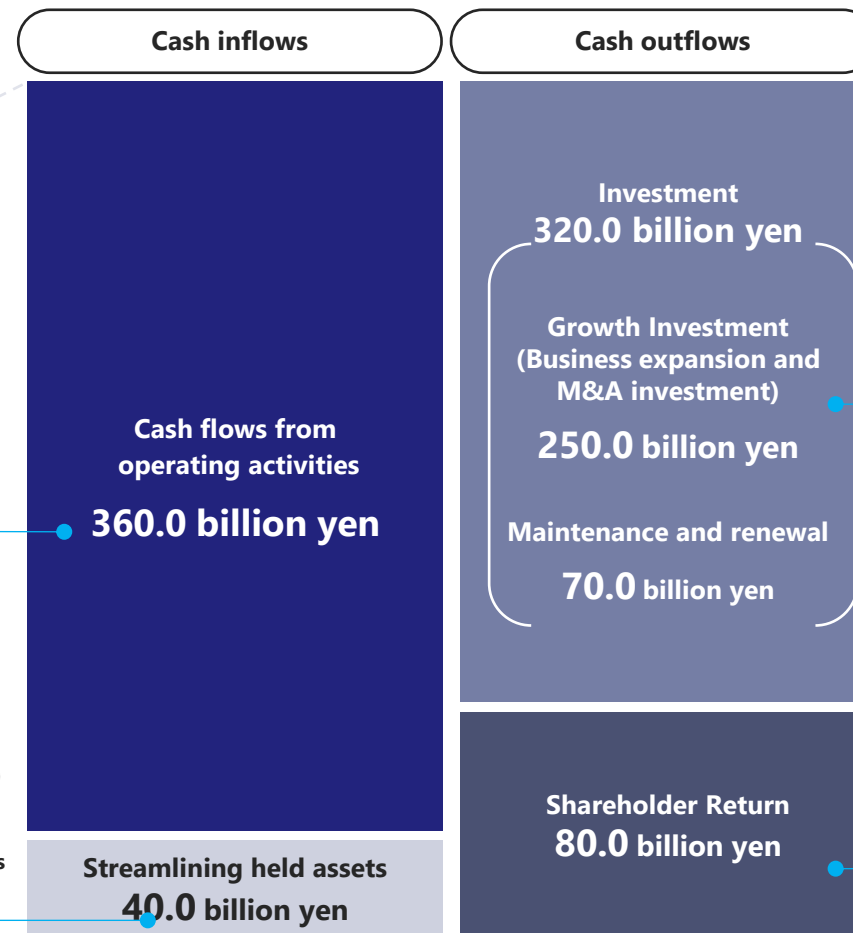
### FY2025 to FY2027 Plan (3-year total)

### Results for FY2022 to FY2024(3-year total)



- **Maximizing cash flows from operating activities**
  - Improvement of profitability(P9,14)
  - Optimizing working capital(P16)
  - Reaping the benefits of growth investments

- **Streamlining held assets(P16)**
  - Sales of relational shareholdings
  - Optimization of business locations and utilization of real estate



- **Executing essential and sufficient investments within the maximized operating cash flow**
  - Growth investments centered on the global, digital, and semiconductor sectors
  - Allocating investments toward carbon neutrality, with a view to medium- to long-term growth

- **Increasing shareholder returns by leveraging expanded free cash flow (P17)**



## ② Financial Strategy 2. Generating Cash

### Maximizing capital efficiency through balance sheet management aligned with business structure and scale

#### Optimizing working capital

##### Trade receivable

- Conducting a comprehensive review of extended collection periods and streamlining them by reforming traditional business practices
- Monitoring both new and revised cases based on data to prevent extended collection periods
- Enhancing cash efficiency by leveraging liquidation of receivables

##### Inventories

- Conducting a comprehensive review and optimizing the turnover period for inventory exceeding four months
- Optimizing production plans based on sales forecasts calculated by AI

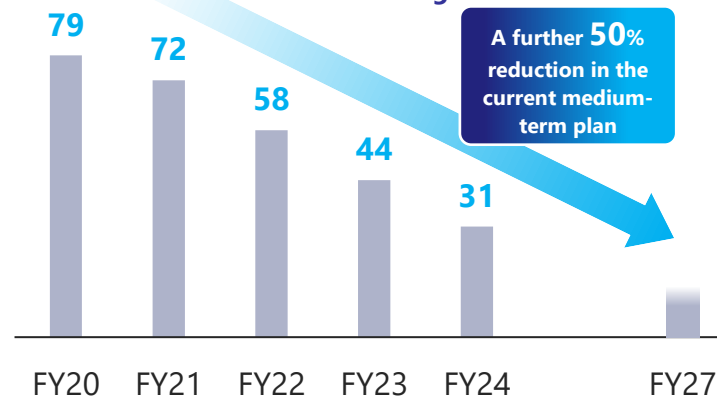
Expected effects during the current medium-term plan

**10.0 - 14.0 billion yen**

#### Sales of relational shareholdings

##### Changes in the number of relational shareholdings

**Planned reduction of relational shareholdings and continued streamlining**



Expected effects during the current medium-term plan

**20.0 - 30.0 billion yen**

#### Optimization of business locations and utilization of real estate

##### Optimizing warehouse operations

- Strengthening centralized management of leased warehouses
- Driving logistics efficiency by consolidating the use of Group-owned warehouses and optimizing warehouse management and operations

##### Consolidating Group locations and effectively utilizing real estate

- Moving forward with the relocation and consolidation of over 700 Group locations
- Optimizing office rental costs while considering the sale or securitization of real estate holdings based on location, thereby shifting from ownership to usage to generate cash

Expected effects during the current medium-term plan

**4.0 - 6.0 billion yen**



## ② Financial Strategy3. Shareholder Return Policy

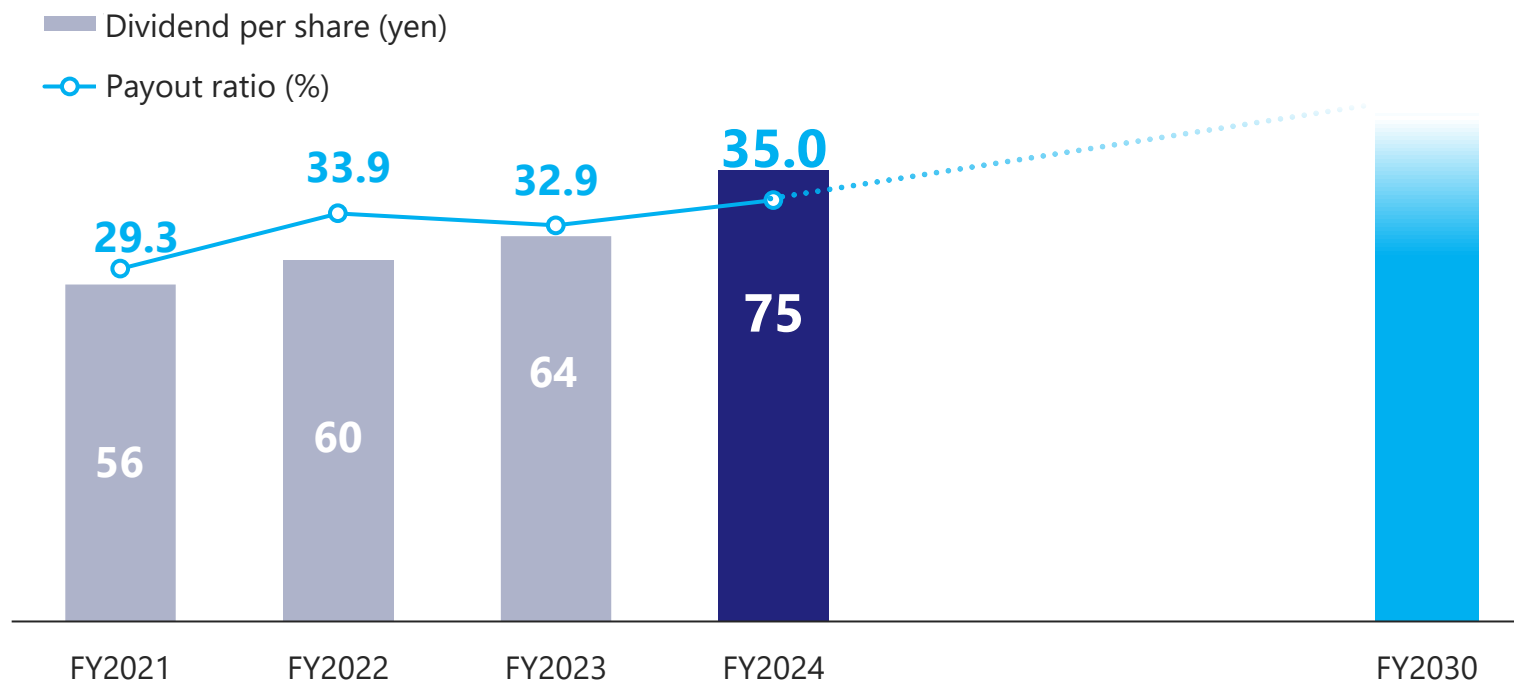
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### Shareholder Return Policy

- Aiming to set the dividend payout ratio at **35%** as our target level, gradually increasing it over time (the ratio was 30% until FY2023)
- Introducing **progressive dividends** to balance sustainable growth with enhanced shareholder returns
- Considering the balance with growth investments and assessing capital efficiency and stock price levels to consider flexible share buybacks

### No reduction in dividends since the establishment of Air Water in 2000





3

# Human Capital Management 1 “Maximizing the potential of human resources” and “Utilizing people in management ”

## Maximizing the potential of human resources

Achieving productivity improvements and continuous wage increases

## Utilizing people in management

Developing managerial and other human resources

Within our Group, which thrives on a diverse range of businesses, we foster a system where talent can move freely and grow through experience and challenges

## The qualities required for next-generation managerial human resources

A visionary who possesses the ability to clearly outline a future vision for the business and a global perspective, and drives the Group's growth with a sincere commitment to people and the planet

### Discovery program

- New graduate recruitment
- Mid-career recruitment
- Talent discovery within the Group

### Development program

- Strategic rotation

### Strategic placement program

- Promotion to an important post

**The Group's talent development platform**



# ④ Technology Strategy 1. Medium- to Short-term Technology Strategy (Strengthening business competitiveness)

Through rapid development under the business division, we prioritize investment profitability in technological development that delivers results quickly and enables swift market entry.

## Strengthening competitiveness

## Creation of new businesses

### Productivity improvement



Improving productivity



Labor reduction and optimization in agricultural cultivation



Improving efficiency



Cost reductions



Improvement of technological capabilities

Value engineering



Improvements in materials and processes

### Increased performance and added value



Improving the performance of air separation plant



Recovery and refinement of rare gases



Highly efficient CO<sub>2</sub> capture



Adding functions to medical devices



## ④ Technology Strategy 1. Medium- to Short-term Technology Strategy (new business creation)

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Going forward, we will harness the technological resources we possess to tackle the social challenges faced by our Company and its customers, driving the creation of sustainable new businesses.

Strengthening competitiveness

Creation of new businesses

### Development of new products



Semiconductor specialty chemicals



Next-generation battery materials



Wellness products

#### 〈Topics〉

To bring the world's first GI-POF ultra-thin endoscope "Cellendo Scope" into practical use



Clean hydrogen

### Creation of new businesses



Liquefied biomethane



CO<sub>2</sub> capture and reuse



Land-based aquaculture



Vertical solar and biomass power generation



# ④ Technology Strategy 2. Long-term Technology Strategy

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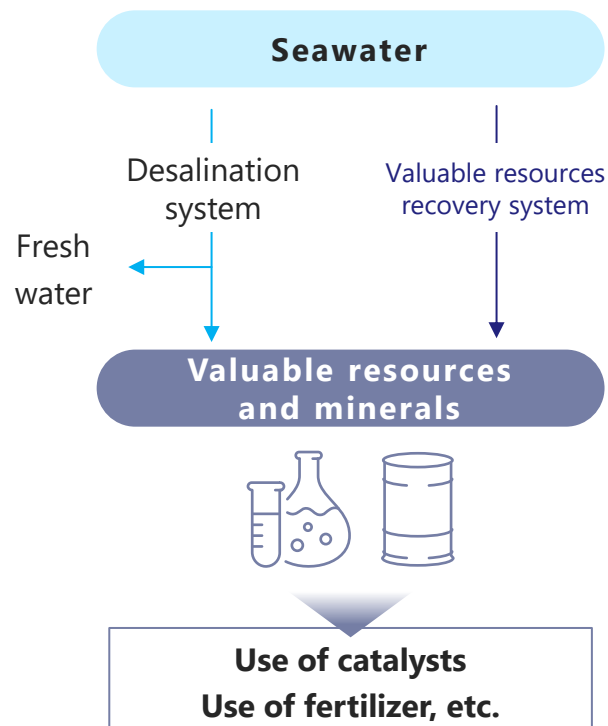


Established three research laboratories on April 1, 2025

We will continue to contribute to society and make progress by "creating the future of Air Water" in a future-oriented manner.

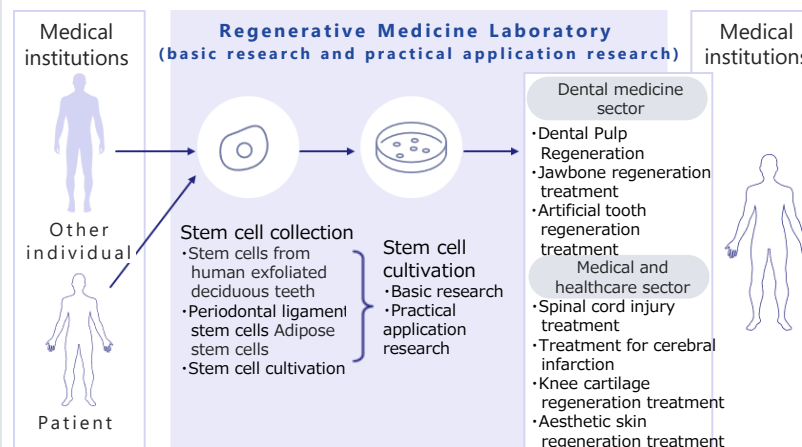
## Seawater Technology Research Institute

Pursuing recovery and desalination of valuable resources from seawater, contributing to the environment with functional materials



## Regenerative Medicine Research Institute

Initiated a clinical study utilizing third-party dental pulp stem cells, with more than 100 treatment cases  
Expanding regenerative medicine-related businesses utilizing stem cells



- Advancing applied research in neurological medicine, including spinal cord injury treatment using dental pulp stem cells.

## Gas Technology Research Institute

Creating new technologies and businesses by leveraging functional gases and our business domains



### Example: Semiconductor field

Ultra-high purity gases and chemicals required for advanced logic semiconductors (2nm and beyond)



\*Cited from AIST materials



## 5 DX Strategy 1. Improving productivity

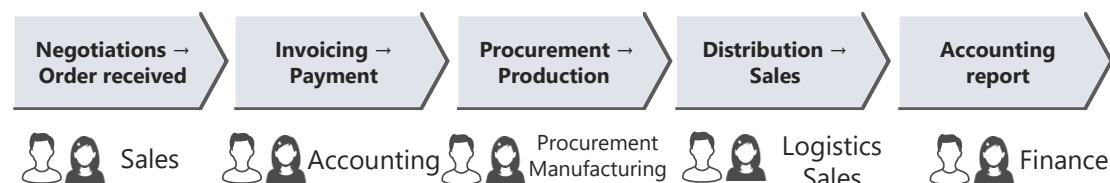
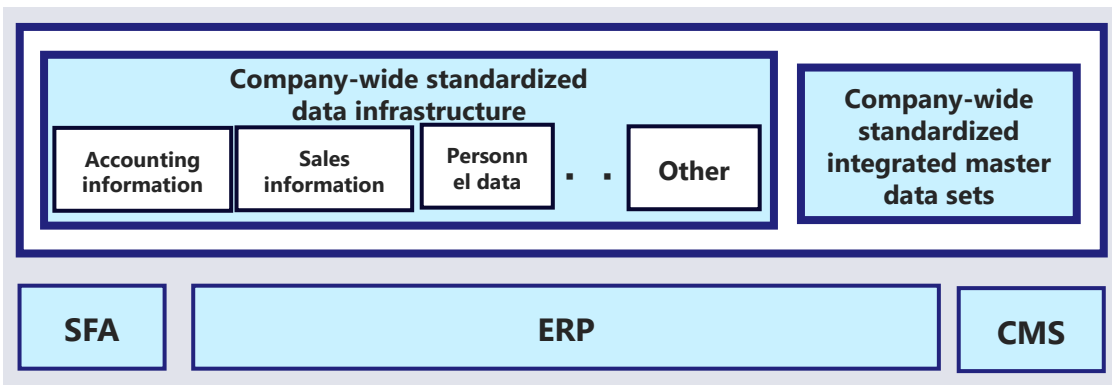
Advancing digital transformation (DX) through the systemization of overall operations and the automation of sales administration tasks. Going forward, we will leverage an integrated data master platform and systems capable of revenue and cost management to streamline operations. As a result, we will improve efficiency across all operations by 30%.

### DX for management

Integrating a range of data, including accounting information, into a common data platform, driving data-driven management

#### Integrated data master platform

Promoting unified Group management leveraging AI and reporting tools



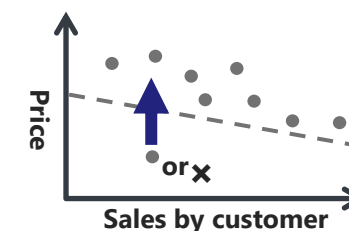
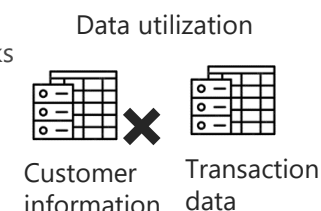
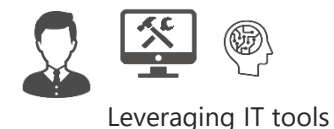
### DX for operation

#### Improving productivity

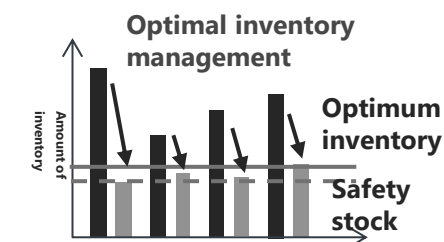


#### Improved sales efficiency

Streamlining sales operations  
Streamlining administrative tasks



#### Improve working capital turnover



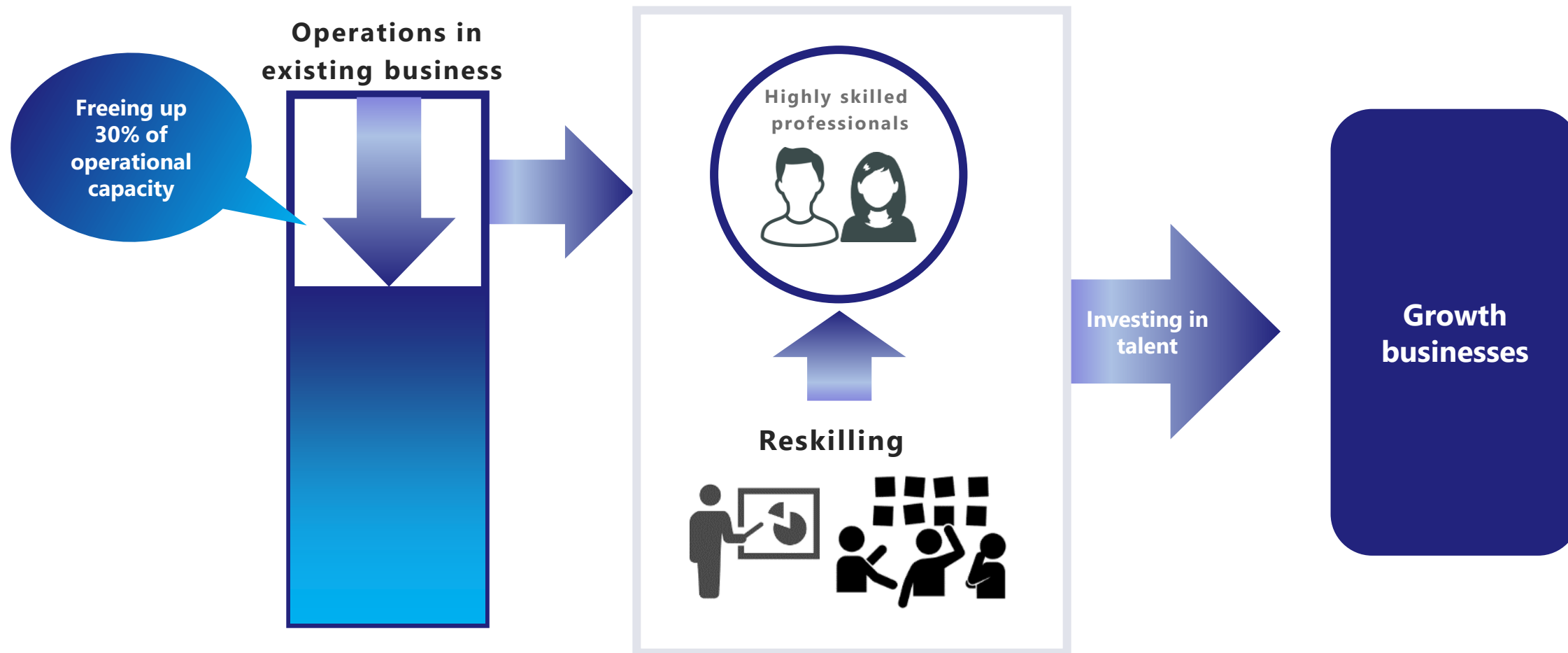


## ⑤ DX Strategy 2. Allocating Human Resources to Growth Fields

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Through initiatives that leverage AI and digital transformation to enhance operational efficiency and improve productivity, we will free up 30% of the resources in existing businesses, reskill employees, and allocate talent to growth sectors





# Target results for the 2nd stage of "terrAWell30"

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Guided by our purpose, we will continue to address social challenges while striving to create new value.



## Appendix: ESG Initiatives



# ESG Initiatives (Non-Financial KPIs)

## Sustainability Vision

Realizing a recycling-oriented society through coexistence with the local community and society

### Response on climate change

#### Achieving carbon neutrality

##### ◆ FY2030

**30% reduction in GHG emissions**  
(compared to FY2020)

**FY2024 result: 3.4% reduction\***

Progress ahead of schedule compared to the initial plan

\* Flash estimate

### Controlling the use of substances that affect the environment

#### Achieving near-zero waste emissions

##### ◆ FY2030

**Waste recycling rate: 80%**  
(65% in FY2021)

**FY2024 result: 77%**

Achieved our target with an 83% success rate in FY2023 and aim to further improve after analyzing challenges

### Recycle resources

#### Conservation of water resources

##### ◆ FY2030

**10% reduction in water intensity**  
(compared to FY2021)

**FY2024 result: 9.5% reduction**

Steady progress toward achieving the goals in FY2030

### Fostering the wellbeing of working people

#### Promote DE&I

##### ◆ FY2030

**Percentage of female managers: 15%**  
(up from 4.0% in FY2021)  
\*The Company, non-consolidated

**FY2024 result: 5.7%**

Steady increase in the number of supervisors and assistant managers, along with progress in developing the next generation of candidates for management  
Aiming for 10% in FY2027

#### Elimination of occupational accidents

##### ◆ FY2030

**Lost-time injury frequency rate: 0.8 or lower**  
(down from 1.15 in FY2021)

\*Frequency rate: The number of incidents per 1 million total working hours

**FY2024 result: 1.34**

Conducting a thorough reassessment of current challenges and aiming for a figure below 0.9 in FY2027

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## Notes

- The numerical targets and forecasts presented in this document reflect the judgment of our company based on information currently available and involve potential risks and uncertainties. Therefore, the reader should note that actual business performance may differ significantly from the projections made herein due to changes in various factors.
- **Air Water Inc.'s financial statements are prepared in accordance with "IFRS" (International Financial Reporting Standards).**