

July 15, 2022

AIR WATER INC.

**Notice Regarding Formulation of Our Vision for FY2030, "terrAWell 30"
and Medium-Term Management Plan (FY2022 - FY2024)**

We are pleased to announce that we, AIR WATER INC., have established our vision for FY2030, "terrAWell 30" and as the first stage of "terrAWell 30," we have formulated Medium-Term Management Plan, "terrAWell 30 1st stage," with a three-year implementation period from FY2022 to FY2024.

1. Review of the previous Medium-Term Management Plan

Since FY2010, we have been working to establish an "all-weather(holistically diversified)" business portfolio with an optimal balance between industrial and life-related businesses, while expanding the scale of our operations over the past 12 years, in line with our long-term growth strategy to achieve revenue of 1 trillion yen. Based on a stable revenue base from diverse business domains, we have been proactively investing in M&A and other areas. As a result, we have achieved significant growth, with revenue of 888.7 billion yen (approximately 2.1 times the FY 2009 results) and operating profit of 65.2 billion yen (approximately 2.2 times the FY 2009 results) in FY2021

Under the previous Medium-Term Management Plan "NEXT-2020 Final" (FY2019-FY2021), we responded to changes in the business environment caused by the COVID-19 crisis, achieved the growth of the electronics business and overseas businesses with high growth potential, and promoted business structural reforms, including the integration and reorganization of group companies. As a result, while we did not achieve a revenue of 1 trillion yen, operating profit significantly exceeded the original management plan of 60 billion yen.

2. Our vision for FY2030, "terrAWell 30"

(1) Our Purposes

Our Purpose

Meeting society's needs with nature's blessings.

In preparation for changes in the business environment and further growth, we have defined our purpose as *"Meeting Society's Needs with Nature's Blessings."* In accordance with this purpose, we will pursue and enhance the essential value of the Group's business, namely, "to support healthy living and manufacturing by working closely with people and communities" through our role of "stably providing products that are essential and indispensable to people's lives."

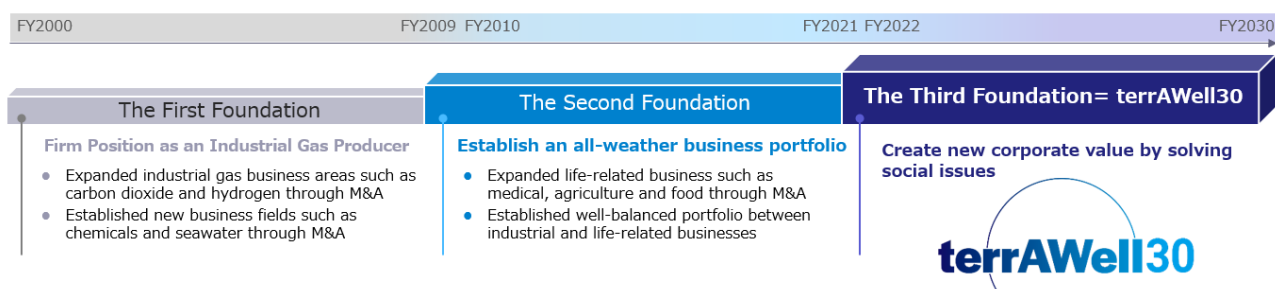
(2) Concept of "terrAWell 30 "

Going forward, we are committed to solving social issues through our business activities in line with the diverse business domains of our group and our two growth axes, "Global Environment" and "Wellness," based on social issues such as climate change and a super-aging society, to achieve sustainable growth and increase our corporate value.

In addition, we named the period up to FY2030 as our "Third Foundation Period" and aim to maximize the corporate value that combines economic and social value by achieving the "creation of new corporate value through solving social issues." We will achieve them through synergies generated by a creative combination of "diverse businesses, human resources, and technologies" that are the management resources we acquired over the past 20 years since the establishment of Air Water Inc.

To achieve this goal, on April 1, 2022, we implemented a major organizational reform and shifted to a new group management structure that integrates the corporate organization and the group companies and has formulated "terrAWell 30" as our vision for FY2030.

"Terra" means "earth" in Latin, and "Well" means "Wellness = Healthy Life " We named our vision "terrAWell 30" with the hope that Air Water (AW) will connect earth (Terra) and wellness (Well).



(3) Growth Strategy and Targeted Goals, etc.

<Growth Strategy>

1. Integrate the direction of diverse business areas into a new growth axis of "Global Environment" and "Wellness."
2. Maximize synergy creation by leveraging "diverse businesses, human resources, and technologies" and "community-based business"
3. Achieve a positive cycle of growth and investment.

<Targeted Goals for FY2030, etc.>

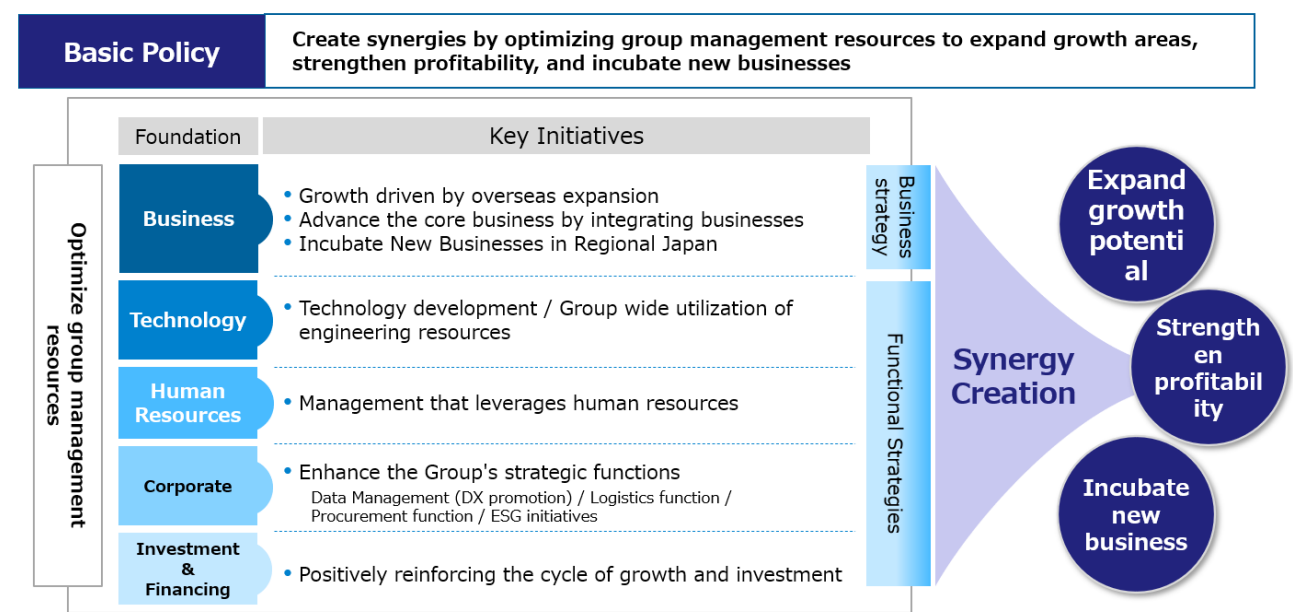
Value	Theme	Targeted Goals for FY2030, etc.
Economic Value	Business Expansion	Revenue: 1.6 trillion yen Overseas Revenue Ratio: 20%
	Profitability	Operating Profit: 160 billion yen Operating Margins: 10%
	Capital Efficiency	ROE: Stably over 10% ROIC: Stably over 7%
Social Value	Non-Financial Key Performance Indicators	GHG (greenhouse gas) emissions: Reduce by 30% (vs. FY2020)
	The Society We Seek to Create	Decarbonization, resource recycling, the coexistence of people and nature, smart society, healthy longevity.

3. Medium-Term Management Plan "terrAWell 30 1st stage" (FY2022-FY2024)

As the first stage of "terrAWell 30," we have formulated Medium-Term Management Plan, "terrAWell 30 1st stage," with a three-year implementation period from FY2022 to FY2024.

(1) Basic Policy

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



(2) Business Strategy

(i) Growth Policy for Each Business Unit

- The "Electronics-related business" and the "Overseas industrial gas business" are our growth drivers.
- Existing domestic businesses (Industrial Gases, Energy, Health & Safety, Agriculture & Foods, etc.) will strengthen profitability and achieve stable growth.
- The "resource recycling" business, actively implementing technological development to achieve a decarbonized society, and the "regional business", a business field to incubate new businesses, will develop the foundations for future growth.

(ii) Expansion of Overseas Business

- Overseas revenue target for FY2024: 140 billion yen (approx. 1.8 times the FY2021 level)
- Consider the expansion of industrial gas field in India and North America as our most important initiatives, accelerate business expansion based on the establishment of an engineering structure and strategic collaboration with Mitsui & Co.

(iii) Synergy Creation through Integration among business units

- In the organizational reform conducted on April 1, 2022, we established four business groups and business units under the umbrella of the "Global Environment" and "Wellness" key growth domain.
- Business Groups promote synergy creation among business units, and business units promote the unit management integrated with related business company groups to create synergies beyond the boundaries of business.

(iv) Expansion of Regional Businesses

- Improve profitability of existing businesses (industrial gas, medical, energy, etc.)
- Collaborate with local governments and universities to incubate new businesses that contribute to solving social issues by transforming local issues (needs) into businesses

(3) Strategy by Functions

(i) Technology development to incubate new businesses

- Incubate and nurture new businesses by integrating established technological fields with digital-related technologies
- Promote new technological development through group centralization of technological resources and open innovation

(ii) Maximize the utilization of the Group's human resources

- Promote HR policy reforms and career development initiatives that encourage the selection, promotion, and development of highly motivated and capable talents.
- The entire group establish an "corporate talent bank" to promote the mobility and activation of middle management employees.

(iii) Strengthen Group strategic functions (business innovation through DX, promotion of logistics innovation, optimization of procurement activities, etc.)

- To further advance data-driven management, innovate business management platform system and promote the development of DX human resources
- Expand logistics business and promote logistics innovation in the Agriculture & Foods sector through the development of infrastructure for our main nationwide logistics networks
- Reduce cost through group-wide procurement activities
- Through optimizing the entire group through above initiatives, we plan to generate more than 5 billion yen in profits in FY2024.

(4) Investment and Finance

(i) Our approach to financial policy*

- While actively investing, we will improve our cash generation capability and capital efficiency to achieve a positive cycle of investment and growth.
- Set company-wide targets for ROE and ROIC, and promote initiatives such as improving the cash conversion cycle and careful selection of investments.

* (5) Management Objectives: Capital Efficiency and Financial Soundness Indicators

(ii) Our Approach to Shareholder Returns

- Target a dividend payout ratio of 30% and pay stable dividends in line with business performance in the future.

(iii) Investment Plan

- Total investment for the three-year period is planned at 400 billion yen.
(Capital Expenditure: 260 billion yen, M&A investment: 140 billion yen)
- Actively invest in growth-driving electronics-related businesses and industrial gas & engineering businesses in North America

Investment Category		"NEXT-2020 Final" FY 2019-2021 Results	"terrAWell 30 1st stage" FY2022-2024 Plan
Capital Expenditure	Strategic Investment (New and Expansion)	119.8 billion yen	190 billion yen
	Normal Investment (Maintenance and Renewal)	40.6 billion yen	70 billion yen
M&A Investment		114.6 billion yen	140 billion yen
Total		274.9 billion yen	400 billion yen

(5) Management Objectives

(i) Business Results

	NEXT - 2020 Final	Medium-Term Management Plan "terrAWell 30 1st stage"	Growth over Three Years vs. FY2021		(Reference) FY2022 Earnings Forecast
	FY2021		Amount	%	
Revenue	888.7 billion yen	1.2 trillion yen	+311.3 billion yen	135.0%	1 trillion yen
Operating Profit	65.2 billion yen	100 billion yen	+34.8 billion yen	153.4%	70 billion yen
Operating Profit Margin	7.3%	8.3%	+1.0pt	-	7.0%
Net Income*	43.2 billion yen	63 billion yen	+19.8 billion yen	145.8%	44 billion yen

*Net income attributable to owners of the parent

(ii) Management Indicators

	FY2021	FY2024
Overseas Revenue Ratio	8.6%	More than 11.0%
ROE	11.5%	More than 10.0%
ROIC	6.6%	More than 7.0%
Ratio of equity attributable to owners of the parent	38.7%	36 - 40%
Net D/E Ratio	0.80 times	0.80 - 1.0 times

(iii) Non-Financial Indicators

- Responses to Climate Change

Reduce GHG (greenhouse gas) emissions by 30% from FY2020 to FY2030

- Implement Resource Recycling

Achieve Waste recycling rate to 80% in FY2030 (65% in FY2021)

- Control Environmentally Harmful Substances

FY2030 Per-unit water consumption* 10% reduction from FY2021

*Water consumption per unit: Water consumption per unit sales

- Promote Well-being of Employees

Achieve Female Management Ratio to 10.0% in FY2024 (4.0% in FY2021)

The frequency rate of lost-worktime injuries for FY2024* to 0.9 or less (1.15 in FY2021)

For more information, please see below.

Medium-Term Management Plan:

<https://www.awi.co.jp/en/ir/management/plan.html>