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(Mailing date) June 8, 2023

(Start date for electronic provision measures) June 1, 2023

Securities code: 4088

Kikuo Toyoda

Chairman and Representative Director

AIR WATER INC.

12-8, Minami-semba 2-chome, Chuo-ku, Osaka

To Our Shareholders:

Notice of the 23rd Annual General Meeting of Shareholders

We are pleased to inform you that the 23rd Annual General Meeting of Shareholders of AIR WATER INC. (hereinafter referred to as the “Company”) will be held as set forth below.

Regarding the convocation of this General Meeting of Shareholders, measures for electronic provision have been taken for the information contained in the Reference Materials for the General Meeting of Shareholders, etc. (Electronic Provision Measures Matters), and the information has been posted on the website below.

- The Company’s website
<https://www.awi.co.jp/en/ir.html>

In addition to the above, the information is also posted on the following website.

- The Tokyo Stock Exchange website (TSE Listed Company Search)
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the website above, enter the Company name or securities code to conduct the search, then select “Basic information” and “Documents for public inspection/PR information” to view the information.

If you do not attend the meeting, you may exercise your voting rights either via postal mail, or via electronic means such as the Internet, in which case we ask that you carefully peruse “Reference Materials for General Meeting of Shareholders” listed in Electronic Provision Measures Matters, and submit your votes no later than 5:40 p.m. on Thursday, June 22, 2023 by following the instructions on pages 5-7 (Japanese version).

1. Date & Time: Friday, June 23, 2023, at 10:00 a.m. (Reception starts at 9:00 a.m.)

2. Venue: 1-1, Kita-nijo-nishi 1-chome, Chuo-ku, Sapporo
(Banquet Room “TSURU” on the second floor of New Otani Inn Sapporo)

3. Agenda

Reporting matters:

1. The Business Report, the Consolidated Financial Statements for the 23rd term (For the year ended March 31, 2023), and reports of the audit results on the Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors.
2. The Non-Consolidated Financial Statements for the 23rd term (For the year ended March 31, 2023).

Proposal:

Election of Nine (9) Directors

- In accordance with laws and regulations and provisions of Article 14 of the Company's Articles of Incorporation, the following matters are not included in the documents sent to shareholders. Accordingly, said documents are part of the documents audited by the Corporate Auditors and the Accounting Auditors when preparing their respective audit reports.
 - Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements in the Consolidated Financial Statements
 - Non-Consolidated Statement of Changes in Equity and Notes to Non-Consolidated Financial Statements in the Non-Consolidated Financial Statements
- Should Electronic Provision Measures Matters require revisions, the items before and after revision will be posted on each of the websites indicated above.

Reference Materials for General Meeting of Shareholders

Proposal: Election of Nine (9) Directors

The terms of office of all the 11 Directors will expire at the close of this meeting, and the Company therefore proposes the election of 9 Directors. The selection of Director candidates is determined by the Board of Directors based on deliberations by the Nomination and Compensation Committee, which is a voluntary advisory body to the Board of Directors.

The candidates for Director are as follows:

Candidate Number		Name	Current Positions and Areas of Responsibility in the Company, etc.	
1	<u>Reappointed</u>	Kikuo Toyoda	Chairman and Representative Director	Chief Executive Officer (CEO)
2	<u>Reappointed</u>	Ryosuke Matsubayashi	President and Representative Director	Chief Operating Officer (COO)
3	<u>Reappointed</u>	Keita Hara	Director and Senior Managing Executive Officer	General Manager of Corporate Technology Strategy Center
4	<u>Newly appointed</u>	Hidetoshi Onoe	Managing Executive Officer	In charge of Health & Safety Group, General Manager of Consumer Health Business Unit
5	<u>Newly appointed</u>	Shigeki Otsuka	Managing Executive Officer	In charge of Global & Engineering Group, General Manager of Engineering Center, President of AIR WATER ENGINEERING INC.
6	<u>Newly appointed</u>	Tsuyoshi Tanaka	Managing Executive Officer	In charge of Digital & Industry Group, General Manager of Industrial Gas Business Unit
7	<u>Reappointed</u>	Yukiko Sakamoto	External Director	<u>External Director</u> <u>Independent Officer</u>
8	<u>Reappointed</u>	Takao Matsui	External Director	<u>External Director</u> <u>Independent Officer</u>
9	<u>Reappointed</u>	Yoshihiro Senzai	External Director	<u>External Director</u> <u>Independent Officer</u>

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Areas of Responsibility in the Company		Number of Shares of the Company owned by the Candidate
1	Kikuo Toyoda (May 5, 1948) <u>Reappointed</u>	Jun. 2019	Chairman, Representative Director and Chief Executive Officer (CEO) of AIR WATER INC. (current position)	73,664
		Attendance at the Board of Directors Meetings: 14 / 14		
		Reasons for nomination as a candidate for Director: Mr. Kikuo Toyoda served as an Operating Officer of DAIDO Hoxan Inc., a predecessor of the Company. Since assuming office as Director in June 2003, he has grown the Medical Business into a pillar of the Company's businesses and has accumulated a wealth of experience in fields of overall management such as personnel affairs, medical services and M&As. After assuming office as Chairman and Representative Director in June 2019, together with promoting structural reforms based on "Human Resource Management" and "Data Management" based on the belief that "Employees create businesses while businesses make employees grow, so employees and businesses go hand in hand," he has established a growth axis of "global environment" and "wellness" as business concepts towards 2030, and he has led the Group by combining diverse businesses, human resources, and technologies. We therefore propose his reelection as a Director of the Company.		
2	Ryosuke Matsubayashi (Nov. 16, 1964) <u>Reappointed</u>	Apr. 2023	President, Representative Director and Chief Operating Officer (COO) of AIR WATER INC. (current position)	19,306
		Attendance at the Board of Directors Meetings: 11 / 11		
		Reasons for nomination as a candidate for Director: Mr. Ryosuke Matsubayashi has held important posts at the Company's research institutes, and since assuming office as Executive Officer in 2014, he has been leading the structural reform of the engineering division for many years. In addition, he has promoted marketing and business infrastructure building at overseas locations, including North America. He has served as Executive Vice President and Representative Director as well as Executive Officer of the Company since June 2022 and President and Representative Director of the Company since April 2023, and has extensive experience in overall management. We therefore propose his reelection as a Director of the Company.		
3	Keita Hara (Apr. 28, 1960) <u>Reappointed</u>	Jun. 2022	Director, Senior Managing Executive Officer, General Manager of Corporate Technology Strategy Center of AIR WATER INC. (current position)	6,208
		Attendance at the Board of Directors Meetings: 11 / 11		
		Reasons for nomination as a candidate for Director: Mr. Keita Hara assumed office as President and Representative Director of the Company's subsidiary in 2019 after having held important posts in the Research and Development division of Sharp Corporation. Since 2020, as General Manager of Technology Strategy Center, he has improved the Company's technological capabilities, established the R&D system that was dispersed within the Group, and strengthened alliances with universities and other research institutes. He leads the Group with the aim of realizing healthy lifestyles. We therefore propose his reelection as a Director of the Company.		
4	Hidetoshi Onoe (Nov. 5, 1963) <u>Newly appointed</u>	Jun. 2023	Managing Executive Officer, in charge of Health & Safety Group, General Manager of Consumer Health Business Unit of AIR WATER INC. (current position)	3,869
		Attendance at the Board of Directors Meetings: -		
		Reasons for nomination as a candidate for Director: Mr. Hidetoshi Onoe has held important posts at KYOWA CO., LTD., and assumed office as Director of the Company's subsidiary in 2007. Since then, he has served as President and Representative Director of the Company's subsidiary and General Manager of the Consumer Health Business Unit, hence, he has extensive experience and insight in medical-related businesses and overall management. We therefore propose his election as Director of the Company.		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Areas of Responsibility in the Company		Number of Shares of the Company owned by the Candidate
5	Shigeki Otsuka (Oct. 12, 1961) <u>Newly appointed</u>	Jun. 2023	Managing Executive Officer, in charge of Global & Engineering Group, General Manager of Engineering Center of AIR WATER INC. and President of AIR WATER ENGINEERING INC. (current position)	1,200
		Attendance at the Board of Directors Meetings: -		
		Reasons for nomination as a candidate for Director: After gaining a variety of international business experience, Mr. Shigeki Otsuka assumed office as President and Representative Director of the Company's subsidiary in 2021, and has been promoting the reorganization of dispersed engineering subsidiaries and overseas plant construction business. He was appointed Managing Executive Officer of the Company in April 2023, and is working to promote overseas business in North America and India as well as to strengthen the structure of the engineering division. Based on his experience and insight, we propose his election as Director of the Company.		
6	Tsuyoshi Tanaka (Mar. 26, 1969) <u>Newly appointed</u>	Jun. 2023	Managing Executive Officer, in charge of Digital & Industry Group, General Manager of Industrial Gas Business Unit of AIR WATER INC. (current position)	10,593
		Attendance at the Board of Directors Meetings: -		
		Reasons for nomination as a candidate for Director: In addition to being well versed in the Industrial Gases Business, the Company's business foundation, Mr. Tsuyoshi Tanaka has a wealth of experience in overall management, having served as the President and Representative Director of one of the Regional Business Companies and contributed to the expansion of business performance. Based on his experience and insight, we propose his election as Director of the Company.		
7	Yukiko Sakamoto (Jan. 20, 1949) <u>Reappointed</u>	Jun. 2014	External Director of AIR WATER INC. (current position) <u>External Director</u> <u>Independent officer</u>	4,318
		Attendance at the Board of Directors Meetings: 14 / 14		
		Reasons for nomination as a candidate for External Director and summary of expected roles: Ms. Yukiko Sakamoto successively held various significant posts in the Ministry of Health, Labour and Welfare and also served as the Lieutenant Governor of Shizuoka Prefecture and a member of the House of Councillors. She has accumulated a wealth of experience and deep insight through these careers and is deemed to be qualified to make continuous use of them for the management of the Company. We therefore propose her reelection as an External Director of the Company. Although she has never been involved in corporate management, we believe that she will be able to appropriately execute her duties as External Director of the Company for the reasons stated above. We expect that she will further strengthen the function of the Board of Directors of the Company by providing advice and performing supervisory functions for overall management from a unique viewpoint not shared by the internal Directors, while making use of her wealth of experience and deep insight.		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Areas of Responsibility in the Company		Number of Shares of the Company owned by the Candidate
8	Takao Matsui (Apr. 8, 1956) <u>Reappointed</u>	Jun. 2020	External Director of AIR WATER INC. (current position) <u>External Director</u> <u>Independent officer</u>	204
		Attendance at the Board of Directors Meetings: 14 / 14		
		Reasons for nomination as a candidate for External Director and summary of expected roles: Mr. Takao Matsui has accumulated a wealth of experience and deep insight through his career as a Certified Public Accountant and is deemed to be qualified to make continuous use of them for the management of the Company. We therefore propose his reelection as an External Director of the Company. Although Mr. Takao Matsui has never been involved in corporate management, we believe that he will be able to appropriately execute his duties as External Director of the Company for the reasons stated above. We expect that he will further strengthen the function of the Board of Directors of the Company by providing advice and performing supervisory functions for overall management from a unique viewpoint not shared by the internal Directors, while making use of his wealth of experience and deep insight.		
9	Yoshihiro Senzai (Apr. 2, 1948) <u>Reappointed</u>	Jun. 2022	External Director of AIR WATER INC. and Outside Director of ENAX, Inc. (current position) <u>External Director</u> <u>Independent officer</u>	3,992
		Attendance at the Board of Directors Meetings: 11 / 11		
		Reasons for nomination as a candidate for External Director and summary of expected roles: Mr. Yoshihiro Senzai, in addition to his achievement as an engineer at Hitachi Maxell, Ltd. (current Maxell Holdings, Ltd.), he served as Representative Director, President, and Chairman. He has also accumulated a wealth of experience and deep insight in corporate management, such as serving as Outside Director of other company. He is deemed to be qualified to make use of his experience and insight for the management of the Company. We therefore propose his reelection as an External Director of the Company. We expect that he will further strengthen the function of the Board of Directors of the Company by providing advice and performing supervisory functions for overall management from a unique viewpoint not shared by the internal Directors, while making use of his wealth of experience and deep insight.		

Notes:

1. There are no conflicts of interest between each candidate and the Company.
2. Ms. Yukiko Sakamoto, Mr. Takao Matsui, and Mr. Yoshihiro Senzai are candidates for External Directors.
3. The Company has entered into liability limitation agreements with Ms. Yukiko Sakamoto, Mr. Takao Matsui, and Mr. Yoshihiro Senzai to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum amount prescribed in Article 425, Paragraph 1 of the same Act under the condition that they perform their duties in good faith with no acts of gross negligence. If the election of Ms. Yukiko Sakamoto, Mr. Takao Matsui, and Mr. Yoshihiro Senzai is approved as per this Proposal, the Company plans to continue the agreements.
4. The Company has entered into a directors and officers (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If the election of each candidate for Director is approved as per this Proposal, each candidate for Director will be insured under the insurance policy. A summary of the policy is stated in (3) Matters Concerning Directors and Officers (D&O) Liability Insurance Policy on page 37 (Japanese version).
5. Ms. Yukiko Sakamoto has served as an External Director of the Company since June 2014, and her term of office will reach nine years at the close of this Annual General Meeting of Shareholders.
6. Mr. Takao Matsui has served as an External Director of the Company since June 2020, and his term of office will reach three years at the close of this Annual General Meeting of Shareholders.
7. Mr. Yoshihiro Senzai has served as an External Director of the Company since June 2022, and his term of office will reach one year at the close of this Annual General Meeting of Shareholders.
8. Ms. Yukiko Sakamoto, Mr. Takao Matsui, and Mr. Yoshihiro Senzai satisfy the requirements for independent officers set forth in the regulations of the Tokyo Stock Exchange and Sapporo Securities Exchange and the Criteria for Assessing the Independence of External Officers stipulated by the Company. Therefore, if the election of Ms. Yukiko Sakamoto, Mr. Takao Matsui, and Mr. Yoshihiro Senzai is approved as per this Proposal, the Company will continue to file the same notification with the Exchanges on which the Company's shares are listed.
9. The "Number of Shares of the Company owned by the Candidate" is the number of shares effectively owned, including shares owned thereby in the shareholding associations for Directors and Corporate Auditors of the Group.

[Reference] Skill Matrix of Directors and Corporate Auditors after Approval of the Proposal

If the Proposal “Election of Nine (9) Directors” is approved as proposed, the skill matrix of Directors and Corporate Auditors will be as follows.

List of principal knowledge, experience, and capabilities of Directors and Corporate Auditors

		Corporate management	Finance and accounting	Risk management and legal affairs	Business strategy and marketing	Technology and R&D	Human resource management	Global
Director	Kikuo Toyoda	●		●	●		●	
	Ryosuke Matsubayashi	●	●		●	●		●
	Keita Hara				●	●		
	Hidetoshi Onoe	●			●			
	Shigeki Otsuka				●	●		●
	Tsuyoshi Tanaka	●			●			
	Yukiko Sakamoto			●			●	
	Takao Matsui		●					●
	Yoshihiro Senzai	●			●	●		
Corporate Auditor	Hiromi Yanagisawa		●					●
	Yuji Ando	●		●				
	Kunihiko Tsuneyoshi	●	●					
	Atsushi Hayashi			●				
	Nobuo Hayashi			●				

Consolidated Statement of Financial Position

(As of March 31, 2023)

	<i>(Millions of yen)</i>
Assets	
Current assets	
Cash and cash equivalents	¥65,944
Trade and other receivables	229,276
Inventories	92,014
Other financial assets	6,151
Income taxes receivable	4,307
Other current assets	33,444
Total current assets	431,139
Non-current assets	
Property, plant and equipment	443,443
Goodwill	65,130
Intangible assets	32,568
Investments accounted for using equity method	32,630
Retirement benefit asset	3,836
Other financial assets	78,182
Deferred tax assets	2,184
Other non-current assets	2,528
Total non-current assets	660,505
Total assets	¥1,091,645

* Figures under one million are omitted.

(As of March 31, 2023)

(Millions of yen)

Liabilities and equity	
Liabilities	
Current liabilities	
Trade and other payables	¥166,601
Bonds and borrowings	83,340
Other financial liabilities	5,035
Income taxes payable	10,127
Provisions	901
Other current liabilities	33,691
Total current liabilities	299,697
Non-current liabilities	
Bonds and borrowings	283,385
Other financial liabilities	30,192
Retirement benefit liability	6,365
Provisions	3,157
Deferred tax liabilities	14,601
Other non-current liabilities	7,762
Total non-current liabilities	345,465
Total liabilities	645,162
Equity	
Share capital	55,855
Capital surplus	49,962
Treasury shares	(3,532)
Retained earnings	303,680
Other components of equity	24,266
Total equity attributable to owners of parent	430,232
Non-controlling interests	16,249
Total equity	446,482
Total liabilities and equity	¥1,091,645

* Figures under one million are omitted.

Consolidated Statement of Profit or Loss

(For the year ended March 31, 2023)

	<i>(Millions of yen)</i>
Continuing operations	
Revenue	¥1,004,914
Cost of sales	(804,830)
Gross profit	200,084
Selling, general and administrative expenses	(150,379)
Other income	15,049
Other expenses	(5,075)
Share of profit of investments accounted for using equity method	2,502
Operating profit	62,181
Finance income	2,051
Finance costs	(3,253)
Profit before tax	60,978
Income tax expense	(18,023)
Profit from continuing operations	42,954
Discontinued operations	
Loss from discontinued operations	(305)
Profit	42,649
Profit attributable to	
Owners of parent	40,137
Non-controlling interests	2,512
Profit	¥42,649

* Figures under one million are omitted.

Non-Consolidated Balance Sheet

(As of March 31, 2023)

	<i>(Millions of yen)</i>
Assets:	
Current assets	
Cash and deposits	¥28,328
Trade notes receivable	53
Trade accounts receivable	45,521
Merchandise and finished goods	4,470
Work in process	82
Raw materials and supplies	3,260
Prepaid expenses	609
Short-term loans receivable	33,401
Other accounts receivable	9,742
Others	627
Allowance for doubtful accounts	(708)
Total current assets	125,389
Fixed assets	
Property, plant and equipment	
Buildings	19,109
Structures	1,987
Machinery and equipment	26,635
Vehicles	69
Tools, furniture and fixtures	1,315
Land	31,155
Lease assets	11,086
Construction in progress	22,151
Total property, plant and equipment	113,510
Intangible fixed assets	6,578
Investments and other assets	
Investment securities	34,092
Stocks of subsidiaries and associates	274,407
Investments in capital	26
Investments in capital of subsidiaries and associates	2,627
Long-term loans receivable	7,798
Distressed receivables	76
Long-term prepaid expenses	214
Prepaid pension cost	2,712
Others	1,629
Allowance for doubtful accounts	(237)
Total investments and other assets	323,348
Total fixed assets	443,438
Total assets	¥568,827

* Figures under one million are omitted.

(As of March 31, 2023)

(Millions of yen)

Liabilities:	
Current liabilities	
Trade notes payable	¥270
Trade accounts payable	21,936
Short-term bank loans	80,896
Lease obligations	1,684
Other accounts payable	10,209
Accrued expenses	186
Deposits received	124
Notes of facilities payable	8
Reserve for bonuses to directors and corporate auditors	158
Other provisions	324
Others	526
Total current liabilities	116,323
Non-current liabilities	
Bonds payable	70,000
Long-term bank loans	145,208
Lease obligations	10,320
Deferred tax liabilities	8,359
Deferred tax liabilities for land revaluation	562
Reserve for retirement allowances	251
Provision for loss on business of subsidiaries and associates	317
Others	1,275
Total non-current liabilities	236,294
Total liabilities	352,618
Net assets:	
Shareholders' equity	212,584
Common stock	55,855
Capital surplus	59,413
Legal capital surplus	57,333
Other capital surplus	2,080
Retained earnings	100,846
Legal retained earnings	2,617
Other retained earnings	98,228
Reserve for advanced depreciation of fixed assets	6,047
Reserve for special depreciation	14
Reserve for dividend equalization	835
Reserve for retirement allowances	250
General reserve	13,259
Retained earnings brought forward	77,822
Treasury stock	(3,532)
Evaluation and foreign currency adjustments	3,340
Net unrealized gains on available-for-sale securities	11,698
Net deferred losses on hedges	7
Revaluation reserve for land	(8,365)
Share warrant	284
Total net assets	216,209
Total liabilities and net assets	¥568,827

* Figures under one million are omitted.

Non-Consolidated Statement of Income

(For the year ended March 31, 2023)

	<i>(Millions of yen)</i>
Net sales	¥169,014
Cost of sales	153,724
Gross profit	15,290
Selling, general and administrative expenses	23,194
Operating loss	(7,904)
 Non-operating income	
Interest and dividends income	20,616
Others	5,313
Non-operating expenses	
Interest expense	959
Loss on abandonment of consolidated tax receivables	2,435
Others	4,412
Ordinary income	10,219
 Extraordinary income	
Gain on sales of non-current assets	4,114
Gain on sale of investment securities	62
Gain on sale of shares of subsidiaries and associates	3,315
Others	29
Extraordinary losses	
Loss on sales and retirement of fixed assets	867
Others	612
Profit before income taxes	16,259
Income taxes current	(431)
Income taxes deferred	237
Profit	¥16,453

* Figures under one million are omitted.