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June 10, 2021

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 21st Annual General Meeting of Shareholders

We are pleased to inform you that the 21st Annual General Meeting of Shareholders of AIR WATER INC. (hereinafter referred to as the “Company”) will be held as set forth below.

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” attached hereto, and submit your votes no later than 5:40 p.m. on Thursday, June 24, 2021 by following the instructions on pages 4-6 (Japanese version).

1. Date & Time: Friday, June 25, 2021, at 10:00 a.m. (Reception starts at 9:00 a.m.)

2. Venue: 3-12, Kikusui-gojo 2-chome, Shiroishi-ku, Sapporo
(Conference Hall on the first floor of the Company’s Training Center)

3. Agenda

Reporting matters:

1. The Business Report, the Consolidated Financial Statements for the 21st term (For the year ended March 31, 2021), 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 21st term (For the year ended March 31, 2021).

Proposal:

Proposal: Election of Nine (9) Directors

Reference Materials for General Meeting of Shareholders

Proposal: Election of Nine (9) Directors

The terms of office of all the 9 Directors will expire at the close of this meeting. The Company therefore proposes the election of 9 Directors.

The candidates for Director are as follows:

Candidate Number	Name	Current Positions and Areas of Responsibility in the Company, etc.	
1	Reappointed Masahiro Toyoda	Chairman Emeritus and Representative Director	Chairman of the Board
2	Reappointed Kikuo Toyoda	Chairman and Representative Director	Chief Executive Officer (CEO)
3	Reappointed Yasuo Imai	Vice Chairman	Assistant Chairman
4	Reappointed Kiyoshi Shirai	President and Representative Director	Chief Operating Officer (COO)
5	Reappointed Masato Machida	Executive Vice President and Representative Director	Corporate Management Officer
6	Reappointed Yu Karato	Executive Vice President	Chief Representative for Hokkaido Operations
7	Reappointed Yukiko Sakamoto	External Director	External Director Independent Officer
8	Reappointed Isamu Shimizu	External Director	External Director Independent Officer
9	Reappointed Takao Matsui	External Director	External Director

Note: In the Notice of the 21st Annual General Meeting of Shareholders, there were amendments to the number of shares of the Company held by some candidates in the Reference Materials for General Meeting of Shareholders. The "Number of Shares of the Company owned by the Candidate" listed in this English convocation notice has been modified accordingly.

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	Masahiro Toyoda (Dec. 21, 1932) <u>Reappointed</u>	Jun. 2019	Chairman Emeritus, Representative Director and Chairman of the Board of AIR WATER INC. (current position)	221,455
			Attendance at the Board of Directors Meetings: 11 / 12	
			Reasons for nomination as a candidate for Director: Mr. Masahiro Toyoda served as a Director of Daido Sanso K.K. and DAIDO Hoxan Inc., predecessors of the Company. He has built up the foundations of AIR WATER by leading the Group's growth since assuming office as President and Representative Director of the Company in April 2000. Furthermore, he supervises management from his position as Chairman of the Board by taking advantage of a wealth of experience in overall management, while focusing on increasing the corporate value of the Group by strengthening corporate governance. We therefore propose his reelection as a Director of the Company.	
2	Kikuo Toyoda (May 5, 1948) <u>Reappointed</u>	Jun. 2019	Chairman, Representative Director and Chief Executive Officer (CEO) of AIR WATER INC. (current position)	53,963
			Attendance at the Board of Directors Meetings: 12 / 12	
			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 of the Company 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. Under the slogans of "Human Resource Management" and "Data Management," he has led the Group's restructuring activities as a Chairman and Representative Director since June 2019. We therefore propose his reelection as a Director of the Company.	
3	Yasuo Imai (Oct. 22, 1948) <u>Reappointed</u>	Apr. 2017	Vice Chairman and Assistant Chairman of AIR WATER INC. (current position)	53,097
			Attendance at the Board of Directors Meetings: 12 / 12	
			Reasons for nomination as a candidate for Director: Mr. Yasuo Imai served as the Director-General of Manufacturing Industries Bureau and Commissioner of Japan Patent Office in the Ministry of Economy, Trade and Industry, as Director and Executive Vice President of Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION), etc. before joining the Company. After assuming office as President and Representative Director in June 2011, he began serving as a Vice Chairman from April 2017, and has accumulated a wealth of experience in overall management over many years. We therefore propose his reelection as a Director of the Company.	
4	Kiyoshi Shirai (Oct. 21, 1958) <u>Reappointed</u>	Apr. 2017	President, Representative Director and Chief Operating Officer (COO) of AIR WATER INC. (current position)	42,465
			Attendance at the Board of Directors Meetings: 12 / 12	
			Reasons for nomination as a candidate for Director: Mr. Kiyoshi Shirai is well versed in the Industrial Gases Business, the Company's business foundation, and has accumulated a wealth of experience and achievement in overall management such as management planning, as well. After assuming office as a Director of the Company in June 2013, he began serving as President and Representative Director from April 2017. He promoted the strengthening of "Technical and Engineering Capabilities" and "Marketing Capabilities" and has led initiatives to increase the corporate value of the Group. We therefore propose his reelection as a 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	Masato Machida (Sep. 26, 1957) <u>Reappointed</u>	Jun. 2019	Executive Vice President, Representative Director and Corporate Management Officer of AIR WATER INC. (current position)	30,592
		Attendance at the Board of Directors Meetings: 12 / 12		
		Reasons for nomination as a candidate for Director: Mr. Masato Machida has grown the Agriculture & Food Products Business from a new business into the third pillar of the Group's businesses since assuming office as a Director of the Company in June 2009. He has served as Executive Vice President and Representative Director since June 2019 and has accumulated a wealth of experience in management planning and overall management. We therefore propose his reelection as a Director of the Company.		
6	Yu Karato (Jun. 3, 1953) <u>Reappointed</u>	Apr. 2019	Executive Vice President and Chief Representative for Hokkaido Operations of AIR WATER INC. (current position)	52,437
		Attendance at the Board of Directors Meetings: 12/ 12		
		Reasons for nomination as a candidate for Director: After gaining experience in performing various duties at Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION), Mr. Yu Karato assumed office as a Director of the Company in June 2006 and began serving as an Executive Vice President from April 2017. He has accumulated a wealth of experience in fields of overall management such as accounting, business administration, and the Chemical Business. We therefore propose his reelection as a 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>	3,839
		Attendance at the Board of Directors Meetings: 12 / 12		
		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 her ample experience and insight 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 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	Isamu Shimizu (Mar. 12, 1945) <u>Reappointed</u>	Jun. 2018	External Director of AIR WATER INC. (current position) <u>External Director</u> <u>Independent officer</u>	0
		Attendance at the Board of Directors Meetings: 12 / 12		
		Reasons for nomination as a candidate for External Director and summary of expected roles: Mr. Isamu Shimizu has accumulated a wealth of experience and deep insight through his career as a scholar and university professor and is deemed to be qualified to make continuous use of his experience and insight for the management of the Company. We therefore propose his reelection as an External Director of the Company. Although he 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 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	Takao Matsui (Apr. 8, 1956) <u>Reappointed</u>	Jun. 2020	External Director of AIR WATER INC. (current position) <u>External Director</u>	59
		Attendance at the Board of Directors Meetings: 10 / 10		
		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 his experience and insight 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 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. Isamu Shimizu, and Mr. Takao Matsui are candidates for External Directors.
3. The Company has entered into liability limitation agreements with Ms. Yukiko Sakamoto, Mr. Isamu Shimizu, and Mr. Takao Matsui 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. Isamu Shimizu, and Mr. Takao Matsui 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 39 (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 seven years at the close of this Annual General Meeting of Shareholders.
6. Mr. Isamu Shimizu has served as an External Director of the Company since June 2018, and his term of office will reach three years at the close of this Annual General Meeting of Shareholders.
7. Mr. Takao Matsui has served as an External Director of the Company since June 2020, and his term of office will reach one year at the close of this Annual General Meeting of Shareholders.
8. Ms. Yukiko Sakamoto and Mr. Isamu Shimizu 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 and Mr. Isamu Shimizu are 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. In addition, Mr. Takao Matsui retired from KPMG AZSA LLC, the Accounting Auditor of the Company, upon reaching mandatory retirement age on June 30, 2018. If the election of Mr. Takao Matsui is approved as per this proposal, the Company will newly file the notification with the Exchanges stating that he is an independent officer, effective on July 1, 2021.
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.

Consolidated Statement of Financial Position

(As of March 31, 2021)

	<i>(Millions of yen)</i>
Assets	
Current assets	
Cash and cash equivalents	¥45,983
Trade and other receivables	188,664
Inventories	67,679
Other financial assets	4,590
Income taxes receivable	3,436
Other current assets	25,411
Total current assets	335,767
Non-current assets	
Property, plant and equipment	403,604
Goodwill	52,994
Intangible assets	28,397
Investments accounted for using equity method	29,689
Retirement benefit asset	5,494
Other financial assets	67,827
Deferred tax assets	1,250
Other non-current assets	1,795
Total non-current assets	591,053
Total assets	¥926,821

* Figures under one million are omitted.

(As of March 31, 2021)

(Millions of yen)

Liabilities and equity	
Liabilities	
Current liabilities	
Trade and other payables	¥135,716
Bonds and borrowings	56,636
Other financial liabilities	6,221
Income taxes payable	11,861
Provisions	893
Other current liabilities	27,799
Total current liabilities	239,128
Non-current liabilities	
Bonds and borrowings	250,876
Other financial liabilities	35,501
Retirement benefit liability	9,727
Provisions	2,831
Deferred tax liabilities	8,216
Other non-current liabilities	8,148
Total non-current liabilities	315,302
Total liabilities	554,431
Equity	
Share capital	55,855
Capital surplus	54,517
Treasury shares	(5,947)
Retained earnings	244,794
Other components of equity	8,578
Total equity attributable to owners of parent	357,797
Non-controlling interests	14,591
Total equity	372,389
Total liabilities and equity	¥926,821

* Figures under one million are omitted.

Consolidated Statement of Profit or Loss

(For the year ended March 31, 2021)

	<i>(Millions of yen)</i>
Continuing operations	
Revenue	¥806,630
Cost of sales	(625,734)
Gross profit	180,895
Selling, general and administrative expenses	(135,398)
Other income	6,767
Other expenses	(3,321)
Share of profit of investments accounted for using equity method	2,287
Operating profit	51,231
Finance income	1,128
Finance costs	(2,707)
Profit before tax	49,651
Income tax expense	(19,292)
Profit from continuing operations	30,359
Discontinued operations	
Profit from discontinued operations	51
Profit	30,410
Profit attributable to	
Owners of parent	27,367
Non-controlling interests	3,042
Profit	¥30,410

* Figures under one million are omitted.

Consolidated Statement of Changes in Equity

(For the year ended March 31, 2021)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2020	55,855	51,077	(2,556)	228,854	–	(3,517)
Profit	–	–	–	27,367	–	–
Other comprehensive income	–	–	–	–	1,678	967
Comprehensive income	–	–	–	27,367	1,678	967
Purchase of treasury shares	–	–	(7,834)	–	–	–
Disposal of treasury shares	–	1,976	4,443	–	–	–
Dividends	–	–	–	(10,467)	–	–
Increase (decrease) arising from change in equity	–	667	–	–	–	(0)
Increase (decrease) due to new consolidation	–	–	–	(3,016)	–	111
Decrease by merger	–	–	–	(200)	–	–
Transfer from other components of equity to retained earnings	–	–	–	2,256	(1,678)	–
Put option, written over shares held by a non-controlling interest shareholder	–	797	–	–	–	–
Transfer to non-financial assets	–	–	–	–	–	–
Total amount of transactions with owners and other	–	3,440	(3,391)	(11,427)	(1,678)	111
Balance as of March 31, 2021	55,855	54,517	(5,947)	244,794	–	(2,437)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Net change in fair value of financial assets measured through other comprehensive income	Other components of equity			Total		
		Effective portion of change in fair value of cash flow hedges	Share acquisition rights	Total			
Balance as of April 1, 2020	283	1,649	346	(1,237)	331,992	19,822	351,815
Profit	–	–	–	–	27,367	3,042	30,410
Other comprehensive income	9,387	6	–	12,040	12,040	(4)	12,035
Comprehensive income	9,387	6	–	12,040	39,407	3,037	42,445
Purchase of treasury shares	–	–	–	–	(7,834)	–	(7,834)
Disposal of treasury shares	–	–	(21)	(21)	6,397	–	6,397
Dividends	–	–	–	–	(10,467)	(377)	(10,844)
Increase (decrease) arising from change in equity	93	(0)	–	93	760	(8,323)	(7,562)
Increase (decrease) due to new consolidation	–	–	–	111	(2,904)	828	(2,075)
Decrease by merger	–	–	–	–	(200)	–	(200)
Transfer from other components of equity to retained earnings	(577)	–	–	(2,256)	–	–	–
Put option, written over shares held by a non-controlling interest shareholder	–	–	–	–	797	(250)	546
Transfer to non-financial assets	–	(151)	–	(151)	(151)	(145)	(296)
Total amount of transactions with owners and other	(484)	(151)	(21)	(2,224)	(13,602)	(8,268)	(21,871)
Balance as of March 31, 2021	9,186	1,504	325	8,578	357,797	14,591	372,389

* Figures under one million are omitted.

Non-Consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

Assets:	
Current assets	
Cash and deposits	¥13,534
Trade notes receivable	97
Trade accounts receivable	35,460
Merchandise and finished goods	4,573
Work in process	159
Raw materials and supplies	3,862
Prepaid expenses	484
Short-term loans receivable	22,521
Other accounts receivable	5,633
Others	889
Allowance for doubtful accounts	(2,704)
Total current assets	84,513
Fixed assets	
Property, plant and equipment	
Buildings	20,452
Structures	2,036
Machinery and equipment	26,257
Vehicles	19
Tools, furniture and fixtures	1,591
Land	31,402
Lease assets	14,365
Construction in progress	7,051
Total property, plant and equipment	103,178
Intangible fixed assets	8,158
Investments and other assets	
Investment securities	32,675
Stocks of subsidiaries and associates	255,722
Investments in capital	26
Investments in capital of subsidiaries and associates	2,627
Long-term loans receivable	11,179
Distressed receivables	76
Long-term prepaid expenses	399
Prepaid pension cost	3,786
Others	1,439
Allowance for doubtful accounts	(352)
Total investments and other assets	307,581
Total fixed assets	418,918
Total assets	¥503,432

* Figures under one million are omitted.

(As of March 31, 2021)

(Millions of yen)

Liabilities:	
Current liabilities	
Trade notes payable	¥240
Trade accounts payable	15,247
Short-term bank loans	54,380
Lease obligations	1,882
Other accounts payable	11,635
Accrued expenses	98
Deposits received	244
Notes of facilities payable	23
Reserve for bonuses to directors and corporate auditors	127
Others	611
Total current liabilities	84,492
Noncurrent liabilities	
Bonds payable	40,000
Long-term bank loans	143,932
Lease obligations	13,660
Deferred tax liabilities	3,348
Deferred tax liabilities for land revaluation	631
Reserve for retirement allowances	314
Provision for loss on business of subsidiaries and associates	279
Other provisions	91
Others	536
Total noncurrent liabilities	202,793
Total liabilities	287,286
Net assets:	
Shareholders' equity	213,326
Common stock	55,855
Capital surplus	59,367
Legal capital surplus	57,333
Other capital surplus	2,034
Retained earnings	104,050
Legal retained earnings	2,617
Other retained earnings	101,432
Reserve for advanced depreciation of fixed assets	6,341
Reserve for special depreciation	24
Reserve for dividend equalization	835
Reserve for retirement allowances	250
General reserve	13,259
Retained earnings brought forward	80,723
Treasury stock	(5,947)
Evaluation and foreign currency adjustments	2,494
Net unrealized gains on available-for-sale securities	11,201
Net deferred losses on hedges	(2)
Revaluation reserve for land	(8,704)
Share warrant	325
Total net assets	216,146
Total liabilities and net assets	¥503,432

* Figures under one million are omitted.

Non-Consolidated Statement of Income

(For the year ended March 31, 2021)

	<i>(Millions of yen)</i>
Net sales	¥120,722
Cost of sales	102,491
Gross profit	18,231
Selling, general and administrative expenses	24,851
Operating loss	(6,620)
 Non-operating income	
Interest and dividends income	15,362
Others	3,592
Non-operating expenses	
Interest expense	860
Others	2,529
Ordinary income	8,943
 Extraordinary income	
Gain on sales of non-current assets	8
Gain on sale of investment securities	43
Gain on sale of shares of subsidiaries and associates	117
Others	716
Extraordinary losses	
Loss on sales and retirement of fixed assets	335
Impairment loss	322
Loss on valuation of investment securities	81
Others	284
Profit before income taxes	8,805
Income taxes current	52
Income taxes deferred	(2,894)
Profit	¥11,647

* Figures under one million are omitted.

Non-Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2021)

(Millions of yen)

	Shareholders' equity													Treasury stock	Total shareholders' equity
	Common stock	Capital surplus			Retained earnings	Retained earnings							Total		
		Legal capital surplus	Other capital surplus	Total		Other earned surplus									
						Reserve for advanced depreciation of fixed assets	Reserve for special depreciation	Reserve for dividend equalization	Reserve for retirement allowances	General reserve	Retained earnings brought forward				
Balance at beginning of the period	55,855	57,333	58	57,391	2,617	6,364	-	835	250	13,259	79,543	102,870	(2,556)	213,560	
Changes during the period															
Dividends from surplus											(10,467)	(10,467)		(10,467)	
Reversal of reserve for advanced depreciation of fixed assets						(23)					23	-		-	
Provision of reserve for special depreciation							24				(24)	-		-	
Profit											11,647	11,647		11,647	
Purchase of treasury stock													(7,834)	(7,834)	
Disposal of treasury stock			42	42									642	685	
Increase (decrease) by share exchanges			1,933	1,933									3,801	5,734	
Net changes of items other than shareholders' equity															
Total changes of items during the period	-	-	1,976	1,976	-	(23)	24	-	-	-	1,179	1,180	(3,391)	(234)	
Balance at end of the period	55,855	57,333	2,034	59,367	2,617	6,341	24	835	250	13,259	80,723	104,050	(5,947)	213,326	

	Evaluation and foreign currency adjustments				Share warrant	Total net assets
	Net unrealized gains on available-for-sale securities	Net deferred losses on hedges	Revaluation reserve for land	Total		
Balance at beginning of the period	5,809	(5)	(8,704)	(2,901)	346	211,006
Changes during the period						
Dividends from surplus						(10,467)
Reversal of reserve for advanced depreciation of fixed assets						-
Provision of reserve for special depreciation						-
Profit						11,647
Purchase of treasury stock						(7,834)
Disposal of treasury stock						685
Increase (decrease) by share exchanges						5,734
Net changes of items other than shareholders' equity	5,392	3	-	5,395	(21)	5,373
Total changes of items during the period	5,392	3	-	5,395	(21)	5,139
Balance at end of the period	11,201	(2)	(8,704)	2,494	325	216,146

* Figures under one million are omitted.