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**Fiscal year 2019 Second Quarter**

**Financial Results**

**Explanatory Materials**

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November 7, 2019

## Financial results for 2<sup>nd</sup> quarter fiscal year 2019

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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.
- The company has adopted IFRS (International Financial Reporting Standards) beginning in the first quarter of fiscal year 2019. Figures for previous fiscal years based on the Japanese Accounting Standards for comparison purposes have also been retrospectively restated in accordance with the IFRS.

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# **Financial results for the second quarter of fiscal year 2019**

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# Consolidated income statement

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	
			Amount	Year-on-year
<b>Revenue</b>	3,477	<b>3,854</b>	+376	110.8%
Cost of sales	▲2,700	▲3,012	▲312	
<b>Gross profit</b>	777	<b>842</b>	+65	108.3%
Selling, general and administrative expenses	▲585	▲646	▲60	
Other operating income and expenses	▲6	18	+23	
Share of (profit) loss of investments accounted for using the equity method	8	7	▲1	
<b>Operating profit</b>	195	<b>221</b>	+27	113.6%
Financial profit or loss	▲1	▲3	▲1	
<b>Profit for the term before tax</b>	193	<b>219</b>	+25	113.1%
Income tax expense	▲68	▲73	▲5	
Profit or loss for the term from discontinued operations	10	▲1	▲11	
<b>Quarterly profit</b>	135	<b>145</b>	+9	106.8%
<b>Owners of parent</b>	131	<b>122</b>	▲9	93.0%
non-controlling interests	4	23	+18	
Operating profit margin	5.6%	<b>5.7%</b>		
ROE ※	4.9%	<b>4.4%</b>		
EPS	67.11円	<b>62.27円</b>		

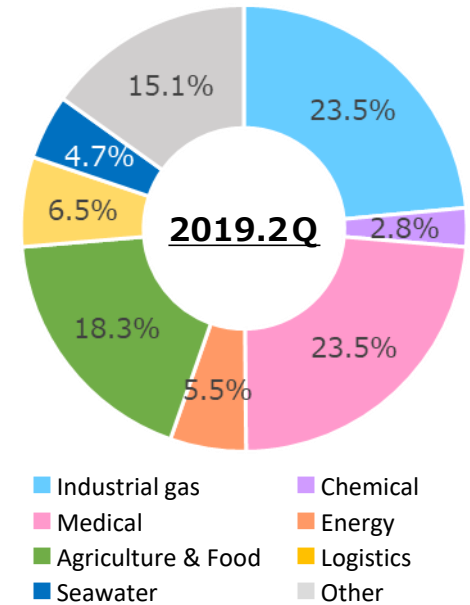
※ "Quarterly Profit Attributable to Owners of the Parent" ÷ "Equity attributable to owners of the parent"

## Revenue by segment

(Unit: Hundred million yen)

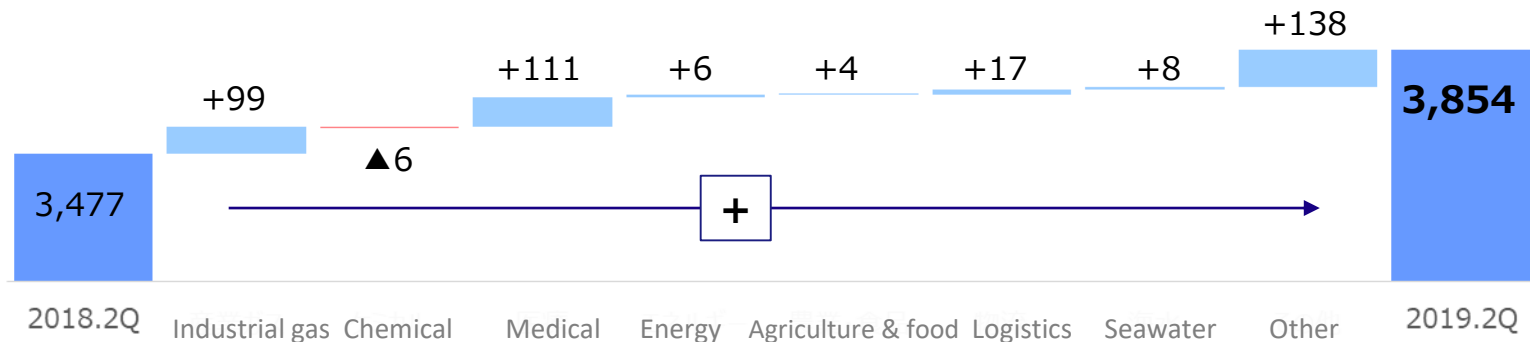
	2018.2Q	2019.2Q	Increase/decrease	
			Amount	Year-on-year
Industrial gas	808	<b>907</b>	+99	112.2%
Chemical	113	<b>107</b>	▲6	94.8%
Medical	794	<b>905</b>	+111	114.0%
Energy	207	<b>213</b>	+6	102.8%
Agriculture & Food	701	<b>705</b>	+4	100.6%
Logistics	235	<b>252</b>	+17	107.3%
Seawater	174	<b>182</b>	+8	104.4%
Other	446	<b>583</b>	+138	130.9%
Total	3,477	<b>3,854</b>	+376	110.8%

## Revenue composition ratio by segment



## Revenue increase/decrease by segment

(Unit: Hundred million yen)



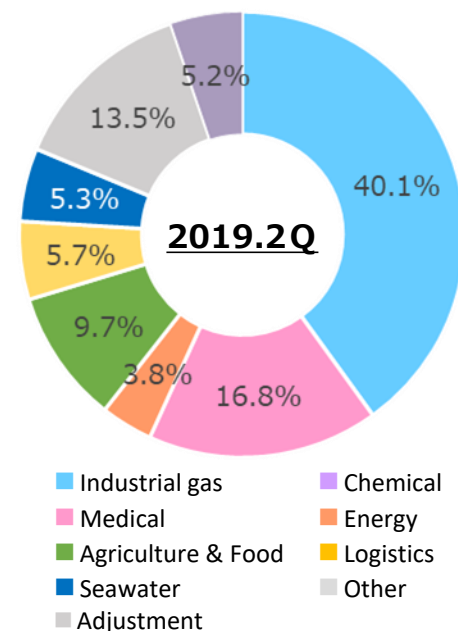
## Operating profit by segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	
			Amount	Year-on-year
Industrial gas	69	<b>89</b>	+20	128.3%
Chemical	6	<b>▲1</b>	▲6	-
Medical	35	<b>37</b>	+2	105.5%
Energy	7	<b>8</b>	+2	127.1%
Agriculture & Food	28	<b>22</b>	▲6	77.7%
Logistics	11	<b>13</b>	+1	110.6%
Seawater	9	<b>12</b>	+3	135.2%
Other	18	<b>30</b>	+12	166.9%
Adjustment ※	12	<b>12</b>	▲1	94.6%
<b>Total</b>	<b>195</b>	<b>221</b>	<b>+27</b>	<b>113.6%</b>

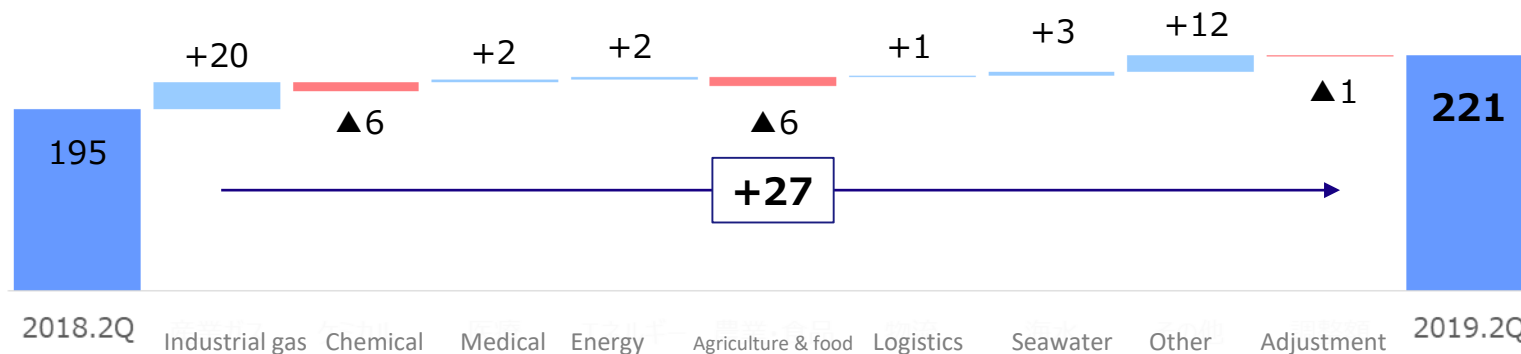
\* Adjustment: Elimination of intersegment transactions and profit or loss of the company's Head Office divisions that are not allocated to each reporting segment.

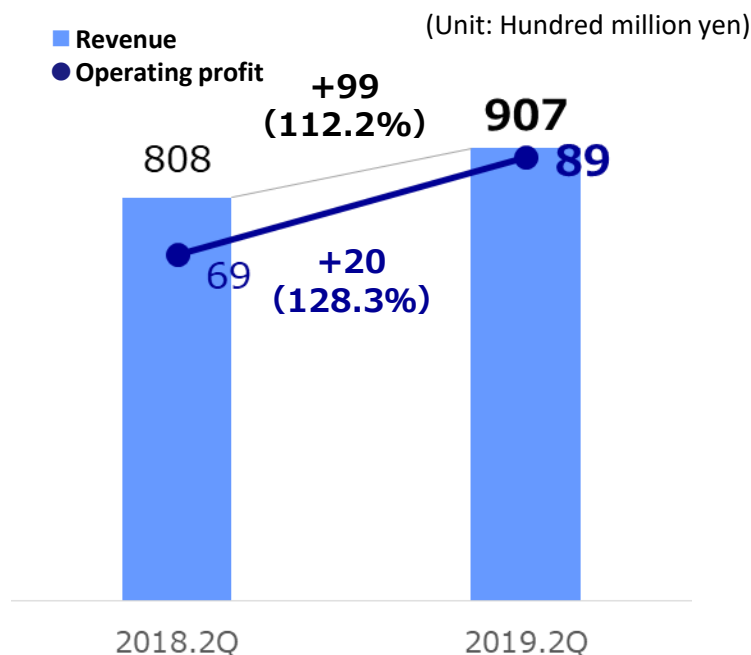
## Operating profit composition ratio by segment



## Operating profit increase/decrease by segment

(Unit: Hundred million yen)





## ■ Revenue 907hundred million yen (112.2% y-o-y)

- Effect of new consolidation of Nichinetsu Holdings K.K. and the subsidiary which took over business from Praxair India Pvt. Ltd.
- Increase in volume of on-site gas supply service to blast furnaces
- Expansion in sales of semiconductor-related equipment

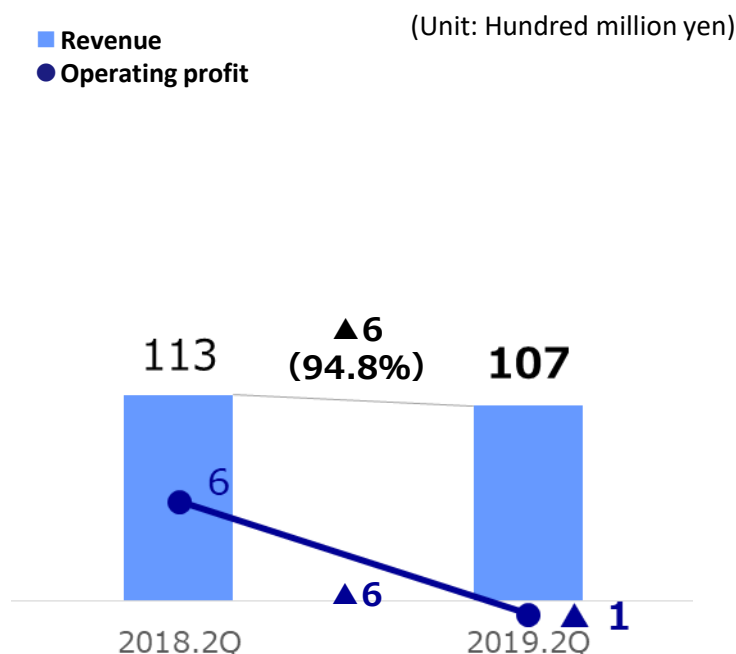
## ■ Operating profit 89hundred million yen (128.3% y-o-y)

- Increase in volume of on-site gas supply service to blast furnaces
- Progress made in price revisions for carbon dioxide gas and dry ice
- Effect of new consolidation of Nichinetsu Holdings K.K., Ellenbarrie Industrial Gases Limited, etc.
- Recording of operating income associated with the sale of land by a subsidiary
- Reactionary effect caused by the loss of retirement of fixed asset recorded in the previous fiscal year

## ■ Revenue by sub-segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
Gas	605	629	+25	104.1%
Equipment and construction	203	277	+74	136.4%
Total	808	907	+99	112.2%



## ■ Revenue 107hundred million yen (94.8% y-o-y)

- Decline in sales of highly-functional circuit products used for industrial robots
- Continued shutdown of production plants in China

## ■ Operating profit -1hundred million yen

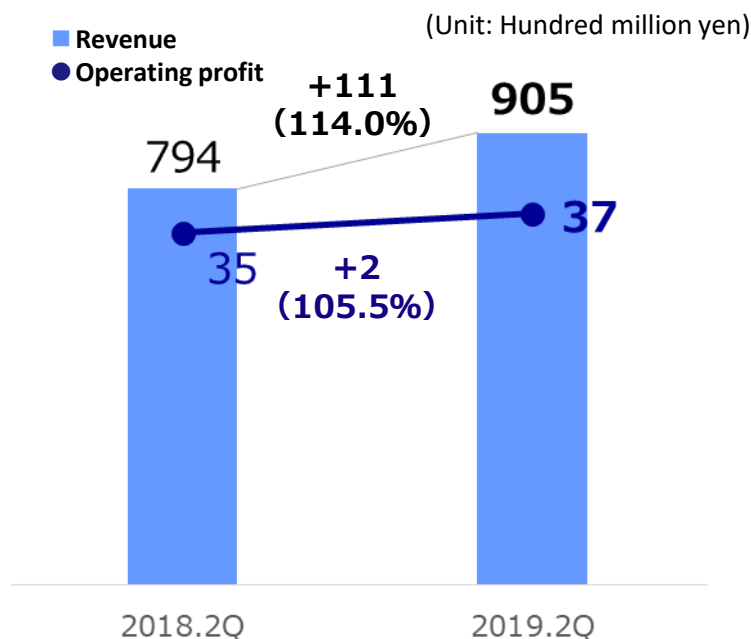
- Decline in sales of naphthoquinone at Kawasaki Kasei Chemicals Ltd.
- Recording of inventory devaluation of phthalic anhydride at Kawasaki Kasei Chemicals Ltd.
- Decline in sales of highly-functional circuit products used for industrial robots

## ■ Revenue by sub-segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
Functional chemicals	53	47	▲6	88.7%
Kawasaki Kasei Chemicals	61	61	+0	100.0%
Total	113	107	▲6	94.8%





## ■ Revenue 905 hundred million yen (114.0% y-o-y)

- Expansion of medical service (SPD) business
- Effect of new consolidation through M&A implemented in the previous fiscal year
- Increase in hospital facility enhancement projects

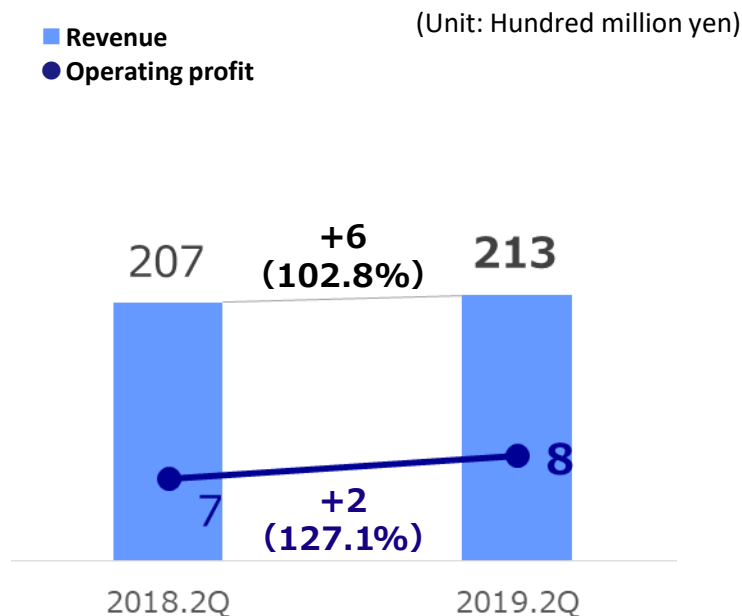
## ■ Operating profit 37 hundred million yen (105.5% y-o-y)

- Recovery in sales of products in the injection needle and dental businesses
- Progress made in production rationalization in the hygiene product business
- Increase in sales of medical equipment
- Effect of new consolidation through M&A implemented in the previous fiscal year

## ■ Revenue by sub-segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
Medical gas	43	44	+1	101.4%
Hospital facilities	117	131	+14	111.5%
Medical treatment services	368	420	+52	114.0%
Medical equipment	29	35	+7	123.2%
Home medical care	47	47	+1	101.1%
Hygiene products	118	119	+2	101.4%
Other	72	109	+37	151.0%
<b>Total</b>	<b>794</b>	<b>905</b>	<b>+111</b>	<b>114.0%</b>



## ■ Revenue 213hundred million yen (102.8% y-o-y)

- Decline in unit sales prices of LP gas in tandem with CP
- Increase in sales volume of LP gas for consumer use
- Increase in sales of energy-related equipment

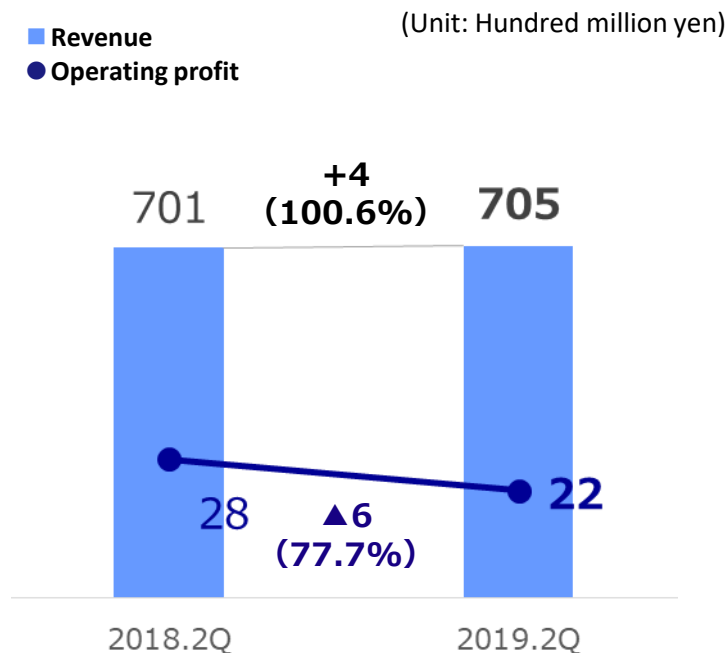
## ■ Operating profit 8hundred million yen (127.1% y-o-y)

- Increase in sales volume of LP gas for consumer use
- Increase in direct-sales customers resulting from the acquisition of commercial rights

## ■ Revenue by sub-segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
LP gas	201	<b>207</b>	+5	102.7%
Natural gas-related and others	6	<b>6</b>	+0	106.8%
Total	207	<b>213</b>	+6	102.8%



## ■ Revenue 705 hundred million yen (100.6% y-o-y)

- Decline in beverage contract manufacturing due to the cool summer
- Decline in sales of ham/delicatessen and sweets
- Impact of low market prices of vegetables on the fruit and vegetable retail sector
- Effect of new consolidation of M&A implemented in the previous fiscal year

## ■ Operating profit 22 hundred million yen (77.7% y-o-y)

- Decline in beverage contract manufacturing due to the cool summer
- Decline in sales of ham & delicatessen and sweets
- Impact of low market prices of vegetables on the farm products and food processing sector
- Rise in logistics and labor costs in the beverage business

## ■ Revenue by sub-segment

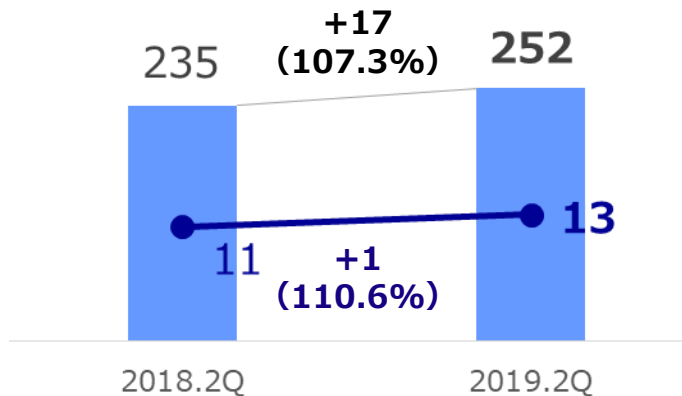
(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
Farm products and food processing ※1	266	282	+17	106.2%
Beverage	277	266	▲10	96.2%
Other ※2	159	156	▲2	98.7%
Total	701	705	+4	100.6%

※1 Ham/delicatessen and sweets which had been classified into “Food solutions” in the previous year have been included in “Farm products and food processing.”

※2 “Other” consists of the fruit and vegetable retail and the manufacture and sale of agricultural machinery which had been classified into “Farm products.”

■ Revenue  
● Operating profit  
(Unit: Hundred million yen)



## ■ Revenue 252 hundred million yen (107.3% y-o-y)

- Increase in volume of shipments in the transport business
- Increase in contract delivery service in the 3PL business
- Increase in sales of trailers and specialty vehicles

## ■ Operating profit 13 hundred million yen (110.6% y-o-y)

- Increase in volume of shipments and progress made in streamlining delivery
- Progress made in service price optimization in the 3PL business
- Progress made in productivity improvement in the auto body manufacturing business

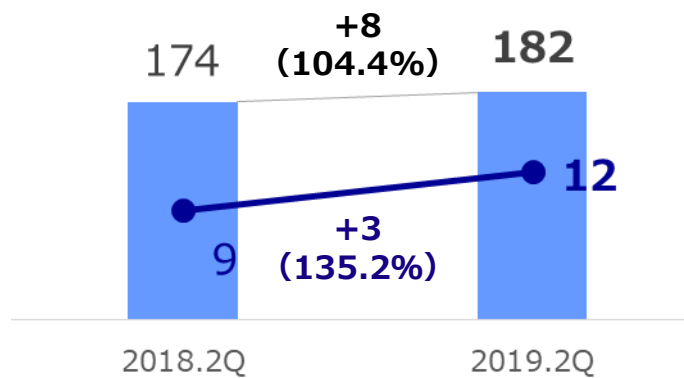
## ■ Revenue by sub-segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
Transport	100	<b>110</b>	+9	109.4%
3PL	109	<b>114</b>	+5	104.7%
Vehicle custom installation	25	<b>28</b>	+3	110.8%
Total	235	<b>252</b>	+17	107.3%

■ Revenue  
● Operating profit

(Unit: Hundred million yen)



## ■ Revenue 182 hundred million yen (104.4% y-o-y)

- Steady performance in Nihonkaisui's water treatment facility business and electricity generation business
- Increase in sales of magnesia for electromagnetic steel plates at Tateho Chemical

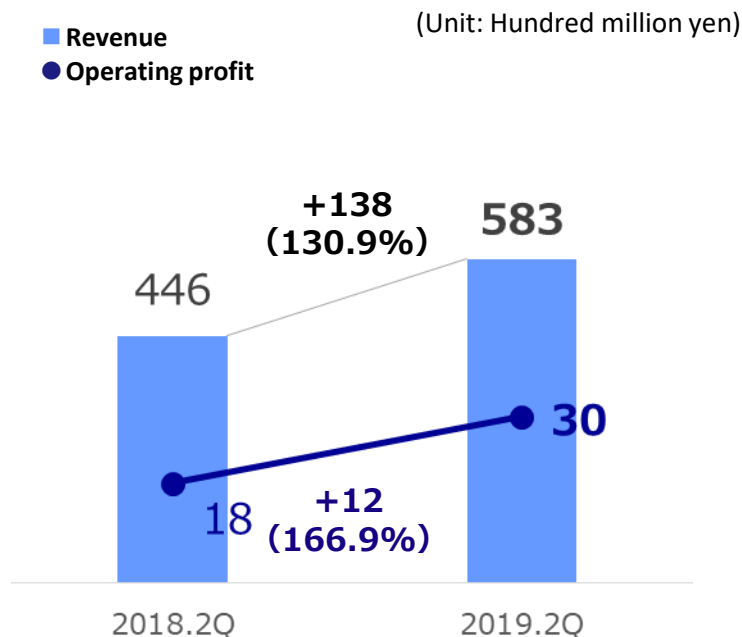
## ■ Operating profit 12 hundred million yen (135.2% y-o-y)

- Increase in sales of magnesia for electromagnetic steel plates at Tateho Chemical
- Progress made by Tateho Chemical in revising prices of magnesia for heaters
- Progress made by Nihonkaisui in revising prices of salt products

## ■ Revenue by sub-segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
Nihonkaisui	125	<b>131</b>	+5	104.2%
Tateho Chemical	49	<b>51</b>	+2	104.7%
Total	174	<b>182</b>	+8	104.4%



## ■ Revenue 583 hundred million yen (130.9% y-o-y)

- Effect of new consolidation of M&A implemented in the previous fiscal year in the overseas engineering business
- Start of operation of Hofu power plant in July

## ■ Operating profit 30 hundred million yen (166.9% y-o-y)

- Start of operation of Hofu power plant in July
- Effect of new consolidation of M&A implemented in the previous fiscal year in the overseas engineering business

## ■ Revenue by sub-segment

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	Year-on-year
Aerosol	104	<b>104</b>	+0	100.3%
Information and electronic materials	198	<b>199</b>	+1	100.5%
Overseas engineering	16	<b>92</b>	+76	574.8%
Other	127	<b>188</b>	+61	147.6%
Total	446	<b>583</b>	+138	130.9%

## Statement of financial position

(Unit: Hundred million yen)

		End of March 2019	End of September 2019	Increase/decrease	
				Amount	Year-on-year
	Current assets	3,140	<b>3,028</b>	▲ 111	96.5%
	Non-current assets	4,720	<b>5,316</b>	+ 596	112.6%
	Total assets	7,859	<b>8,344</b>	+ 484	106.2%
	Current liabilities	2,684	<b>3,197</b>	+ 514	119.1%
	Non-current liabilities	2,226	<b>2,124</b>	▲ 101	95.4%
	Total liabilities	4,909	<b>5,322</b>	+ 412	108.4%
	Total equity	2,950	<b>3,022</b>	+ 72	102.4%
	Total liabilities and equity	7,859	<b>8,344</b>	+ 484	106.2%
Equity attributable to owners of the parent		2,781	<b>2,827</b>		
Interest-bearing liabilities		2,769	<b>3,338</b>		
Net D/E ratio		0.88	<b>1.05</b>		

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease
Operating cash flows [(1)]	253	<b>189</b>	▲64
Investment cash flows [(2)]	▲357	<b>▲618</b>	▲262
Financial cash flows [(3)]	99	<b>474</b>	+376
Total cash flows [(1)+(2)+(3)]	▲6	<b>45</b>	+50
Cash and cash equivalents at the end of the quarter	227	<b>366</b>	+139
Free cash flows [(1)+(2)]	▲104	<b>▲430</b>	▲325



(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease
Capital investment	274	<b>326</b>	+52
Depreciation	150	<b>174</b>	+25
R&D expenses	14	<b>14</b>	+0

## <Capital investment by segment>

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease
Industrial gas	69	<b>94</b>	+25
Chemical	19	<b>5</b>	▲14
Medical	33	<b>40</b>	+6
Energy	14	<b>15</b>	+2
Agriculture & food product	25	<b>37</b>	+13
Logistics	65	<b>33</b>	▲32
Seawater	15	<b>53</b>	+38
Other	34	<b>49</b>	+14
(Electricity generation-related)	( 0 )	<b>(67)</b>	(+66)
Total	274	<b>326</b>	+52

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# **Full-year financial results forecast for fiscal year 2019**

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Revenue, operating profit, profit before income taxes are in line with our initial forecasts.

(Unit: Hundred million yen)

	FY 2018 (Results)	FY 2019 (Forecast)	Increase/decrease	
			Amount	Year-on-year
Revenue	7,423	<b>8,300</b>	+877	111.8%
Operating profit	428	<b>480</b>	+52	112.2%
Profit before income taxes	421	<b>470</b>	+49	111.6%
Equity attributable to owners of parent	288	<b>300</b>	+12	104.1%
Interest-bearing liabilities	2,769	<b>3,512</b>	+743	126.8%
Equity attributable to owners of parent	2,781	<b>3,016</b>	+235	108.5%
Total assets	7,859	<b>9,094</b>	+1,235	115.7%
Operating profit margin	5.8%	<b>5.8%</b>		
ROE ※1	10.6%	<b>10.4%</b>		
Basic net earnings per share for the period	147.33円	<b>153.08円</b>		
Equity ratio attributable to owners of the parent	35.4%	<b>33.2%</b>		
Net D/E ratio ※2	0.88	<b>1.05</b>		

※1 "Profit for the period attributable to owners of the parent" ÷ "Equity attributable to owners of the parent"

※2 "Net interest-bearing debt" ÷ "Equity attributable to owners of the parent"

## Revenue and operating profit forecasts by segment

(Unit: Hundred million yen)

		FY 2018 full year	FY 2019 full year			Increase/decrease	
		Results	Initial forecast	Revised forecast	Difference	Amount	Year-on-year
Industrial gas	Revenue	1,741	2,020	<b>1,950</b>	▲70	+209	112.0%
	Operating profit	167	180	<b>188</b>	+8	+21	112.4%
Chemical	Revenue	229	320	<b>280</b>	▲40	+51	122.2%
	Operating profit	5	7	<b>3</b>	▲4	▲2	54.9%
Medical	Revenue	1,742	1,810	<b>1,870</b>	+60	+128	107.4%
	Operating profit	104	110	<b>110</b>		+6	106.2%
Energy	Revenue	527	570	<b>570</b>		+43	108.1%
	Operating profit	39	40	<b>40</b>		+1	103.2%
Agriculture & food product	Revenue	1,364	1,450	<b>1,400</b>	▲50	+36	102.6%
	Operating profit	42	45	<b>40</b>	▲5	▲2	94.9%
Logistics	Revenue	479	520	<b>520</b>		+41	108.5%
	Operating profit	22	22	<b>22</b>		▲0	99.2%
Seawater	Revenue	402	410	<b>410</b>		+8	101.9%
	Operating profit	24	26	<b>26</b>		+2	110.2%
Other (Aerosol, information and electronics materials, other)	Revenue	937	1,200	<b>1,300</b>	+100	+363	138.7%
	Operating profit	34	60	<b>61</b>	+1	+27	180.8%
(Adjustment)	Operating profit	▲9	▲10	<b>▲10</b>		▲1	-
Total	Revenue	7,423	8,300	<b>8,300</b>		+877	111.8%
	Operating profit	428	480	<b>480</b>		+52	112.2%

FY 2019 full year	
First half results	Second half revised forecast
907	1,043
89	99
107	173
▲1	4
905	965
37	73
213	357
8	32
705	695
22	18
252	268
13	9
182	228
12	14
583	717
30	31
12	▲22
3,854	4,446
221	259

※1

## Dividend payout ratio target: 30% of profit for the period

(Unit: yen)

Consolidated net earnings per share and dividend per share					
	FY 2017		FY 2018 (Results)		FY 2019 (Forecast)
Basic net earnings per share for the period	<b>128.95</b> ※2	➡	<b>135.34</b> ※2	➡	<b>153.08</b>
Interim dividend	<b>17.00</b>	➡	<b>19.00</b>	➡	<b>20.00</b>
Year-end dividend	<b>21.00</b>	➡	<b>21.00</b>	➡	<b>20.00</b>
Annual dividend	<b>38.00</b>	➡	<b>40.00</b>	➡	<b>40.00</b>

※1 Equity attributable to owners of parent

※2 income per share for the period (Japanese standards)

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# **Supplementary materials**

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## Impacts of the adoption of IFRS (on 2Q FY 2018 by segment)

(Unit: Hundred million yen)

		Japanese standards	IFRS	Increase/decrease	Increase/decrease breakdown				
					IFRS-related				Other※
					Goodwill	Extraordinary income and losses	Discontinued operations	Other	
Industrial gas	Sales	812	808	▲4				▲4	
	Profit	72	69	▲3	+3	▲7		+2	
Chemical	Sales	364	113	▲250			▲120	▲131	
	Profit	18	6	▲12	+0	▲1	▲11	▲0	
Medical	Sales	806	794	▲12				▲12	
	Profit	33	35	+3	+4	▲1		▲1	
Energy	Sales	207	207	▲0				▲0	
	Profit	8	7	▲1	+0	▲1		▲0	
Agriculture & Food	Sales	701	701	▲1				▲1	
	Profit	30	28	▲2	+4	▲1		▲0	▲5
Logistics	Sales	235	235	▲0				▲0	
	Profit	14	11	▲2	+0	▲0		▲0	▲2
Seawater	Sales	174	174	▲0				▲0	
	Profit	15	9	▲6	+0	▲0		▲2	▲4
Other (Aerosol, information and electronics materials, other)	Sales	457	446	▲11			▲11	+0	
	Profit	27	18	▲9	+1	▲0	+2	▲4	▲7
(Adjustment)	Profit	▲16	12	+28		+1		+8	+19
Total	Sales	3,755	3,477	▲278			▲131	▲147	
	Profit	200	195	▲5	+12	▲10	▲9	+2	

※ Other: This is due to the impact of the distribution of expenses to each reporting segment, which had previously been classified into the adjustment, as a result of the revision of the internal management accounting system.

## Revenue by product in the industrial gas and energy businesses

(Unit: Hundred million yen)

	2018.2Q	2019.2Q	Increase/decrease	
	Amount	Amount	Amount	Year-on-year
Oxygen	144	<b>164</b>	+20	113.8%
Nitrogen	148	<b>158</b>	+11	107.2%
Argon	69	<b>66</b>	▲3	95.6%
Carbon dioxide	108	<b>113</b>	+4	104.0%
Hydrogen	25	<b>24</b>	▲1	95.7%
Helium	11	<b>14</b>	+3	128.5%
Other gases	99	<b>90</b>	▲9	90.6%
Industrial gas total	605	<b>629</b>	+25	104.1%
LP gas	117	<b>115</b>	▲2	98.5%
Kerosene	24	<b>24</b>	+0	100.2%



## Supplementary material

### Revenue of major group companies

(Unit: Hundred million yen)

		2018.2Q	2019.2Q	Year-on-year
<b>Hokkaido Air Water, Inc. (Consolidated)</b>	Regional business company	255	<b>271</b>	105.9%
<b>Air Water Carbonic Inc.</b>	Industrial gas	79	<b>82</b>	104.0%
<b>Air Water Safety Service Inc. (Consolidated)</b>	Medical treatment (hospital facility construction and others)	112	<b>124</b>	110.9%
<b>Air Water Medi H Co., Ltd.</b>	Medical treatment (SPD and sterilization)	198	<b>215</b>	109.0%
<b>Saveur SS Inc. (Consolidated)</b>	Agriculture and food (frozen food, ham and delicatessen)	148	<b>139</b>	94.2%
<b>Gold Pak Co., Ltd.</b>	Agriculture and food (beverages)	271	<b>258</b>	95.1%
<b>Kyusyuya Co., Ltd.</b>	Agriculture and food (fruit and vegetable retail)	139	<b>132</b>	95.1%

Meeting society's needs with nature's blessings.



***AIR WATER***