February 10, 2021

Consolidated Financial Results (Under IFRS)
For the Third Quarter of the March 31, 2021 Fiscal Year

AIR WATER INC.
Head Office: 12-8, Minami semba 2-chome,
Chuo-ku, Osaka, Japan

(Note: All amounts are rounded down to the nearest million yen.)

1. Results for the Nine Months Ended December 31, 2020

(1) Consolidated operating results

(% of change from previous year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2020	586,418	-1.0	36,259	-6.6	35,240	-8.3	23,204	-12.7	21,217	-9.0	27,814	-10.0
Nine months ended December 31, 2019	592,077	10.1	38,821	23.4	38,442	22.8	26,582	21.7	23,322	10.9	30,906	73.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	93.54	93.43
Nine months ended December 31, 2019	116.95	116.75

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of December 31, 2020	927,048	360,898	339,406	36.6
As of March 31, 2020	899,699	351,815	331,992	36.9

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
The fiscal year ended March 31, 2020	―	20.00	―	24.00	44.00
The fiscal year ending March 31, 2021	―	22.00	―		
The fiscal year ending March 31, 2021 (Forecasts)				22.00	44.00

(Note) Changes in forecast of dividends for the fiscal year ending March 31, 2021 from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2021

(% of change from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
The fiscal year	820,000	1.3	50,000	-1.2	48,500	-2.7	29,000	-4.7	128.13

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2021 from the latest disclosure: No

Notes

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

a. Changes in accounting policies required by IFRS: None

b. Changes in accounting policies other than (a): None

c. Changes in accounting estimates: None

(3) Number of shares outstanding (ordinary shares)

a. Total number of shares outstanding (including treasury shares)

As of December 31, 2020: 229,755,057 shares

As of March 31, 2020: 229,755,057 shares

b. Number of shares of treasury shares

As of December 31, 2020: 5,288,124 shares

As of March 31, 2020: 2,362,804 shares

c. Average number of shares during the term

First Nine months of the fiscal year ending March 31, 2021: 226,831,117 shares

First Nine months of the fiscal year ended March 31, 2020: 199,429,076 shares

* This report is exempt from quarterly review procedure based on the Financial Instruments and Exchange Act.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

・The forward-looking statements such as result forecasts included in this document are based on the information available to AIR WATER INC. (hereinafter “the Company”) at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors. For matters relating to the forecasts, please, refer to “4-(3) Explanation of future prediction information such as forecast of consolidated operating results”.

4. Qualitative Information relating to third Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

The Japanese economy in the cumulative third quarter of the current consolidated fiscal year continued to recover from the dramatic slump in business activities and consumer spending caused by the novel coronavirus (hereinafter "COVID-19") pandemic, as economic activity gradually resumed following the lifting of the state of emergency in May. However, the outlook for the operating environment remains uncertain amid concern over the economic impact of a resurgence in infections since December.

Under such operating conditions, the Company. and its consolidated subsidiaries (hereinafter “the Group”) continued to operate systems for the stable supply of industrial gas, medical gas and other products which are essential for industry and people's lives, through the thoroughgoing implementation of infection control measures. Meanwhile, the COVID-19 crisis accelerated the adoption of teleworking and faster 5G networks, leading to growth in demand for electronics and the firm establishment of needs arising from COVID-19 in areas such as infection control. To adapt to such changes under the "New Normal", the Group leveraged its diverse businesses and products, which include gas, equipment and materials for electronic-related applications and infection control products to support the medical frontline, to actively carve out new markets. In addition, the entire Group made a concerted effort to implement work style reforms centering on digitalization and to increase the efficiency of business operations and reduce costs.

In addition, as part of management reforms for the coming decade, we established the "Corporate Technology Strategy Center," which will function as a technology strategy platform for the overall Group and reformed our research and development framework. We also implemented management structure reforms, merging our eight regional business companies to form three new companies, with the aim of building a powerful business base which will drive improvement of profitability and sustainable business growth in Japan.

During the second quarter of the current fiscal year, the Group's performance was affected by COVID-19, especially in the Industrial Gas Business, the Medical Business, and the overseas engineering business of the Other Businesses segment. However, during the third quarter of the current fiscal year, the Group's overall performance recovered to a level comparable with the same period a year earlier, as almost all business domains saw a clear improvement in the business environment, while the effect of lower expenses as a result of the implementation of work style reforms also contributed to recovery.

As a result, for the current third quarter consolidated cumulative period, the group’s revenue was ¥586,418 million (99.0% that of the corresponding period of the previous year), operating profit was ¥36,259 million (93.4%), and profit attributable to owners of parent was ¥21,217 million (91.0%).

The Group will continue working to overcome new challenges in the COVID-19 era and seeking further corporate growth by taking advantage of its strengths as a conglomerate covering diverse business domains that support people’s lives and livelihoods, including industrial gas, medical care & hygiene, energy, agriculture & food products and logistics, and also by leveraging our business base which is closely tied to local communities.

2) Consolidated results by segment for this period

(Million yen)

	Revenue		Operating profit	
	FY 2020.3Q	**YoY Growth**	**FY 2020.3Q**	**YoY Growth**
Industrial Gas Business	134,064	97.1%	13,689	97.0%
Chemical Business	24,088	128.6%	1,604	66.4%
Medical Business	133,313	98.4%	5,844	98.8%
Energy Business	34,712	99.0%	2,552	121.7%
Agriculture and Food Products Business	102,945	96.0%	3,888	108.5%
Logistics Business	40,260	105.8%	2,225	119.2%
Seawater Business	28,077	97.5%	1,617	77.0%
Other Businesses	88,956	98.0%	3,322	66.5%
(Adjustment)	-	- %	1,515	87.7%
Total	586,418	99.0%	36,259	93.4%

(Note) The adjustment to operating profit is due to costs incurred at the Company’s headquarters division which was not allocated to any reporting segment.

<Industrial gas business>

Revenue of this segment was ¥134,064 million (97.1％ that of the corresponding period of the previous year), and operating profit was ¥13,689 million (97.0％).

While the segment as a whole was affected by a fall in demand for industrial gases mainly from the manufacturing industry in Japan in the first half, our on-site gas supply and equipment services for electronics applications remained firm, in addition to the strong performance of the industrial gas business in India.

In the **gas business**, our on-site gas supply services provided to domestic steel manufacturers continued to face harsh conditions due to a decline in sales volume chiefly affected by the shutdown of blast furnaces of our major customers. Our gas supply services to electronics applications remained firm on the back of facility expansions and production increases by domestic semiconductor manufacturers due to the expansion of demand related to data centers and 5G. In our tank lorries and cylinders gas supply services, while demand declined sharply due to production adjustments in the domestic manufacturing industry in early spring, demand for gas picked up from the second quarter in tandem with the recovery of the automotive industry, thereby returning a level that of almost the same period of the previous year in the third quarter of the current fiscal year.

The **equipment and construction-related business** remained firm because sales of highly accurate heating and cooling parts for semiconductor manufacturing equipment and special material supply devices for electronics applications increased.

The **overseas business** remained strong, given that our on-site gas supply services to steel manufacturers maintained at a high operating rate in tandem with buoyant crude steel production in the mainstay Indian business and that our tank lorries and cylinders gas supply services also saw demand from the construction and automotive industries, remaining high from the second quarter.

<Chemical business>

Revenue of this segment was ¥24,088 million (128.6％ that of the corresponding period of the previous year), and operating profit was ¥1,604 million (66.4%). A decrease in operating profit that of the corresponding period of the previous year was mainly due to the posting of a gain on bargain purchase in the same period of the previous fiscal year associated with the acquisition of Daito Chemical Co., Ltd.

The segment as a whole enjoyed an increase in sales of electronic materials, improved earnings due to the structural reform of the production system, and a contribution made by the new consolidation effect.

In the **functional chemicals business**, the sales expansion of electronics materials, including polyimide resin materials, made progress. In addition, the effect of the new consolidation of FILWEL Co., Ltd., which saw strong sales of precision polishing pads on the back of growing demand for hard disk drives from data centers, and Daito Chemical Co., Ltd., Japan's leading domestic sodium acetate manufacturer, where the organic synthesis business for electronics materials expanded, made a significant contribution. Profitability also improved significantly as a result of our promoting the rebuilding of the production system for the business overall, including the closure of the plant in China.

Although **Kawasaki Kasei Chemicals Ltd.** was affected in terms of sales by declines in market prices and sales of phthalic anhydrides, its operating results were on par with the year-ago level thanks to a recovery in sales of naphthoquinone.

<Medical business>

Revenue of this segment was ¥133,313 million (98.4％ that of the corresponding period of the previous year), and operating profit was ¥5,844 million (98.8％).

In the segment as a whole, the hygiene products business and businesses in the dental sector in other businesses remained strong on the back of growing demand for infection control products, despite the impact of the COVID-19 pandemic.

The **facility business** faced harsh conditions affected by postponements of operating rooms and other hospital facility construction projects and of maintenance and inspections to deal with the COVID-19 pandemic at hospitals mainly in the first half, although sales of simple negative pressure devices increased.

In the **medical gas business**, sales volume declined due to the remaining impact of people refraining from visiting medical institutions and a decline in the number of operations in the first quarter, although demand has been on a recovery trend since the second quarter. In the **medical treatment service business**, the volume of services provided via SPD (Supply, Processing and Distribution management for hospitals) declined for the same reason.

The **home medical care services** remained firm, reflecting the increasing number of new patients who chose to receive medical care at home to avoid hospital-acquired infections.

The **medical equipment business** remained strong, because sales of infection control products, such as UV radiation disinfection devices, increased.

The **hygiene products business** performed strongly as a result of our effort for stable supply through the stronger production system, in addition to sales expansion of masks and hand sanitizers to a broad range of customers, including medical institutions, leading mass retailers and drugstores on the back of growing demand for infection control products.

Other businesses remained strong because sales of infection control products increased, particularly for mail orders from dentists at our equity method affiliate Ci Medical Co., Ltd. However, the construction of hospital facilities in Singapore was affected by restrictions on economic activities by the government to prevent the spread of COVID-19.

<Energy business>

Revenue of this segment was ¥34,712 million (99.0% that of the corresponding period of the previous year), and operating profit was ¥2,552 million (121.7%).

In the segment as a whole, the business remained robust in terms of profit due to stay-at-home demand for LP gas for general households and progress in the acquisition of commercial rights.

In the **LP gas business**, sales were affected by a fall in the unit selling price in tandem with import prices until the second quarter of the current fiscal year, in addition to a decline in the total sales volume due to weak demand for LP gas for commercial use from restaurants and hotels, etc. and for industrial use. On the other hand, the business remained robust in terms of profit, thanks to increased consumption in general households on the back of more people staying at home, as well as a higher direct sales ratio as a result of the acquisition of commercial rights of retailers. In our equipment and construction services, sales of equipment decreased due to the cancellation of events such as exhibitions. There was also the new consolidation effect of the wholesale business in Vietnam, which we acquired through M&A in the previous consolidated fiscal year.

In the **natural gas business**, sales of LNG transport and supply equipment remained steady due to increasing environmental awareness of carbon emissions.

<Agriculture and food products business>

Revenue of this segment was ¥102,945 million (96.0% that of the corresponding period of the previous year), and operating profit was ¥3,888 million (108.5%).

The segment as a whole remained firm because earnings improved mainly in the fruit and vegetable retail sector and the sweets sector, although the segment was affected by a decline in demand due to the COVID-19 pandemic.

The **farm products and food processing business** focused on sales of fully cooked products and frozen vegetables for home use, in addition to the development of takeout and home-delivery products in response to changes in lifestyles to refrain from going out. The ham/delicatessen sector remained in harsh conditions due to the impact of a decline in demand for commercial-use products mainly in the first half, although sales of raw ham were solid from the third quarter. The performance of our farm products and processing sector exceeded the year-ago level due to progress in production rationalization, in addition to an increase in the volume of vegetables handled in the third quarter thanks to a robust harvest, although demand for processed vegetables for commercial use was weak until the second quarter due to the stagnation of the restaurant industry. The sweets sector remained steady due to progress on production profitability improvements, as well as the capturing of stay-at-home demand.

In the **beverage business**, earnings improved due to the commencement of operation of cutting-edge PET bottle filling lines at a production plant in Hokkaido and stable orders received for vegetable drinks driven by the increasing health consciousness, despite the impact of a significant fall in the contract manufacturing of tea-based beverage affected by the voluntary ban on leaving home.

Other businesses remained firm on the back of solid demand in the agricultural equipment sector. In the fruit and vegetable retail sector, results exceeded that of the corresponding period of the previous year’s level in terms of profit thanks to improved earnings in store operation, although the sector was affected by stores’ shorter operating hours and closures.

<Logistics business>

Revenue of this segment was ¥40,260 million (105.8% that of the corresponding period of the previous year), and operating profit was ¥2,225 million (119.2%).

The segment as a whole remained strong due to the improved operating rate of low-temperature logistics centers, in addition to the increased volume of shipments in food logistics and the effect of new consolidation.

In the **transport business**, although overall volume of shipments declined, particularly those of construction materials, its impact was offset by the contribution of cost improvement as a result of streamlined delivery using the newly established centralized vehicle assignment center and falling diesel oil prices. There was also the new consolidation effect of KATSURA COMMERCE Co., Ltd., a western Japan-based transport and warehouse operator we acquired through M&A.

The **3PL(third party logistics) business** centering on food logistics performed favorably, thanks to an increase in volume of shipments for supermarkets, as well as improved operations of low-temperature logistics centers.

The **vehicle custom installation business**, which carries out design of truck bodies and installation of accessories, performed steadily due to orders received for highly profitable projects, despite a fall in the number of customized vehicles.

<Seawater business>

Revenue of this segment was ¥28,077 million (97.5% that of the corresponding period of the previous year), and operating profit was ¥1,617 million (77.0%).

The segment as a whole was affected by the implementation of large-scale periodic repair of production facilities although the urban infrastructure sector in the salt business and fused magnesia used for heaters remained solid.

In the **seawater business**, sales remained steady due to an increase in orders received for water treatment systems and sewage pipe rehabilitation from local governments in the urban infrastructure sector. However, the business fell below the year-ago level in terms of profit due to a decline in demand for commercial salts for restaurants and food processing, as well as the impact of a large-scale periodic repair carried out at the Onahama power plant of our equity method affiliate Summit Onahama S Power Corporation and our Sanuki plant. Ako No. 2 Biomass Power Plant, on which construction was completed, started commercial operation on January 2, 2021, and is operating smoothly.

In the **magnesia business**, sales of magnesia for ceramic engineering for refractories declined due to a decrease in crude steel production and a fall in prices of raw materials from China. Sales of magnesia for grain-oriented electromagnetic steel plates also fell below the year-ago level. On the other hand, because earnings of fused magnesia used for heaters improved due to falling prices of raw materials, the business remained steady in terms of profit.

<Other businesses>

Revenue of this segment was ¥88,956 million (98.0% that of the corresponding period of the previous year), and operating profit was ¥3,322 million (66.5%).

In the segment as a whole, while the aerosol business remained firm thanks to the increased production of alcohol-based sanitizing agents, the overseas engineering business was affected by the COVID-19 pandemic, and the electric power business was influenced by a periodic inspection implemented for the first time since the start of operation.

In the **aerosol business**, the contract manufacturing of cosmetics declined due to the disappearance of inbound demand and the continued voluntary ban on leaving home, but sales of pesticides and paints for models increased due to more people staying at home. In addition, responding to the increased production of alcohol-based sanitizing agents for which demand increased, the aerosol business remained steady.

Results of the **information electronics materials business** exceeded the year-ago level because sales of materials for semiconductors remained firm and sales of materials for in-vehicle parts, which struggled in the first half, recovered due to the pickup of automobile production from the third quarter.

In the **overseas engineering business**, sales of liquid hydrogen tanks for station use and carbon dioxide gas equipment for water treatment use remained firm in the industrial gas equipment sector, although customers continued to reduce investment in our main U.S. market. On the other hand, results were lower than a year ago in the high power UPS (uninterrupted power supply systems) sector due to the impact of delays on the construction work of data centers, following tighter restrictions on economic activities mainly in Singapore.

In **other businesses**, stable operation continued at the woody biomass-coal mixed firing power plant (Hofu-shi, Yamaguchi Prefecture) in the electric power business, but the results fell below the level of a year ago in terms of profit because of the suspension of operations associated with a periodical inspection for the first time after operation. In the O-rings business, sales of products for semiconductor manufacturing equipment continued to be steady. Matsuo Holdings Co.,Ltd. which engages in construction and civil engineering in Kitakyushu, was affected by delays in construction work and a decrease in projects due to the COVID-19 pandemic, although the company's performance was recovering in the third quarter of the current fiscal year.

(2) Explanation of financial position for the current period

Total assets at the end of the current third quarter consolidated fiscal year under review stood at ¥927,048 million, an increase of ¥27,348 million compared to the end of the previous consolidated fiscal year due primarily to increases in property, plant and equipment. Liabilities stood at ¥566,149 million, an increase of ¥18,265 million compared to the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥360,898 million, an increase of ¥9,083 million compared to the end of the previous consolidated fiscal year, mainly due to an increase in other components of equity and accumulation of quarterly profit attributable to owners of parent.

Equity attributable to owners of parent per share grew from ¥1,460.00 at the end of the previous consolidated fiscal year to ¥1,512.06, and ratio of equity attributable to owners of parent to total assets was 36.6%, compared with 36.9% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the current third quarter consolidated cumulative period was an inflow of ¥47,127 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was an increase of ¥23,475 million compared to that in the previous third quarter consolidated cumulative period.

Cash flows from investing activities for the current third quarter consolidated cumulative period was an outflow of ¥41,543 million, which was a decrease in expenditures of ¥56,035 million compared to the previous third quarter consolidated cumulative period, due mainly to a decrease in expenditures resulting from purchase of property, plant and equipment, Payments for acquisition in subsidiaries resulting in change in scope of consolidation and acquisition of businesses, despite a decrease in proceeds resulting from the recording of proceeds from sale of businesses in the same period of the previous fiscal year.

Cash flows from financial activities for the current third quarter consolidated cumulative period was an outflow of ¥5,211 million, which was an increase in expenditures of ¥87,494 million compared to that in the previous third quarter consolidated cumulative period, due mainly to a decrease in proceeds due to the reaction to proceeds from the issuance of shares recorded in the previous third quarter consolidated cumulative period, and an increase in expenditures resulting from repayments of borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the current third quarter consolidated cumulative period stood at ¥43,287 million, an increase of ¥1,979 million compared to the end of the previous third quarter consolidated cumulative period.

(3) Explanation of future prediction information such as forecast of consolidated operating results

The business forecasts for the full fiscal year are unchanged from the business forecasts announced on November 12, 2020.