
Fiscal year 2020 First Quarter

Financial Results

Explanatory Materials

Meeting society's needs with nature's blessings.



August 6, 2020

Fiscal Year 2020 First Quarter Financial Results

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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.

First Quarter Financial Results for Fiscal Year 2020

● First quarter financial results

- Decline in revenue and profit due to the impact of **the spread of the new coronavirus infection**
- Operating profit was 79.5% that of the same period of the previous year, but was **virtually no less than 84.9%** (calculated by comparing figures after deducting sales expenses and general administrative expenses from gross profit) **year-on-year**, when excluding the impact of a reactionary decline in other income and expenses.
- The impact of the new corona bottomed out in May and business **has been on a course for recovery in and after June.**

● First half and full year financial results forecast

- In expectation that the impact of the new corona will subside in and after the second quarter, we will further present the first half results forecast (revenue of 380 billion yen, operating profit of 19 billion yen) and aim to **achieve the full-year results forecast (revenue of 810 billion yen, operating profit of 46 billion yen).**

Assumptions for the financial results forecast

The forecast is based on the following assumptions: Although the impact of the spread of the infection of new coronavirus will significantly restrict economic activities including corporate production and investment in Japan and abroad during the first quarter, the voluntary restraint of economic activities will be relaxed in and after the second quarter, and the business moves towards normalization at a gradual pace over the period to the end of the fiscal year 2020 and will have almost returned to normal at the beginning of the fiscal year 2021.

● Major impacts of the new corona

- **In the industrial gas business**, the on-site gas supply services to steel manufacturers declined in sales volume due to the shutdown of our major customers' blast furnaces.
- **In the medical business**, postponements and delays of hospital facility construction projects occurred. There were also declines in the number of operations and in the number of outpatients due to the voluntary ban on leaving home.
- **The agriculture & food products business** saw a decline in demand for frozen and processed foods for commercial use, particularly from restaurants, hotels and school lunches. The beverage business saw a decline in the volume of contract manufacturing due to a decrease in demand from events and from offices.

● Growth areas and business opportunities triggered by the new corona

- Equipment and materials **for electronics applications**, the demand for which has been expanding on the back of the introduction of 5G and the IoT.
 - **Fields of countermeasures against infectious diseases**, such as facilities, equipment and supplies, which contribute to the reduction of the risks of in-hospital infections among medical staffs and patients.
- Accurately identify changes in the demand environment caused by the corona crisis and diversified customer needs and social issues associated with these changes, and work to address new challenges in the “with corona society” and strive to achieve further corporate growth while taking advantage of the strength of our conglomerate management which possesses a broad range of business fields that support people's lives and living.

Consolidated income statement

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	
			Amount	Year-on-year
Revenue	1,833	1,803	▲31	98.3%
Cost of sales	▲1,426	▲1,396	+30	
Gross profit	407	407	▲1	99.8%
Selling, general and administrative expenses	▲316	▲329	▲13	
Other operating income and expenses	14	6	▲8	
Share of (profit) loss of investments accounted for using the equity method	5	4	▲1	
Operating profit	110	87	▲23	79.5%
Finance income and costs	1	▲3	▲4	
Quarterly profit before income taxes	111	85	▲27	76.1%
Income taxes	▲34	▲32	+2	
Quarterly loss from discontinued operations	▲0	▲0	+0	
Quarterly profit	76	52	▲24	68.4%
Owners of parent	71	45	▲27	62.3%
Non-controlling interests	5	8	+3	
Operating profit margin	6.0%	4.8%		
ROE ※1	2.6%	1.3%		
Basic net earnings per share for the quarter ※2	36.48 yen	19.57 yen		

※1 “Profit for the period attributable to owners of the parent” ÷ “Equity attributable to owners of the parent” (The average between the beginning and the end of the year)

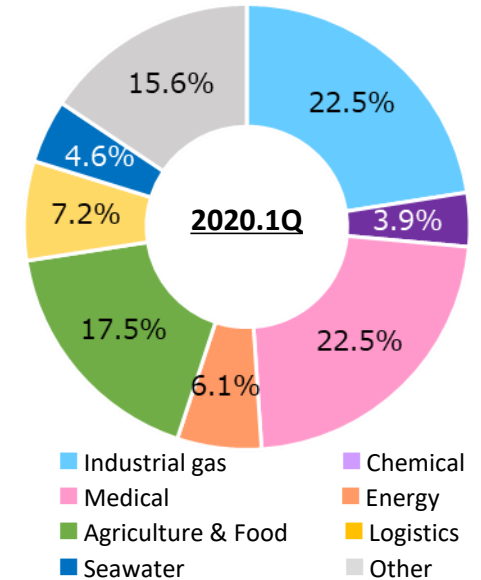
※2 Basic earnings per share for the period are calculated based on the average number of issued shares during the year.

Revenue by segment

(Unit: Hundred million yen)

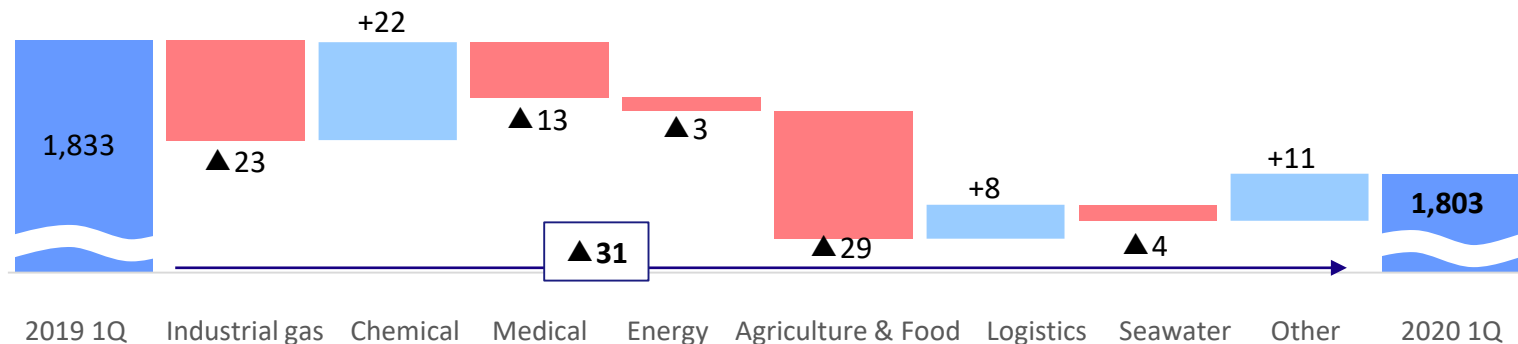
	2019.1Q	2020.1Q	Increase/decrease	
			Amount	Year-on-year
Industrial gas	429	406	▲23	94.7%
Chemical	47	70	+22	147.1%
Medical	418	406	▲13	97.0%
Energy	114	110	▲3	97.2%
Agriculture & Food	345	316	▲29	91.6%
Logistics	123	130	+8	106.3%
Seawater	87	84	▲4	95.8%
Other	270	281	+11	104.0%
Total	1,833	1,803	▲31	98.3%

Revenue composition ratio by segment



Revenue increase/decrease by segment

(Unit: Hundred million yen)

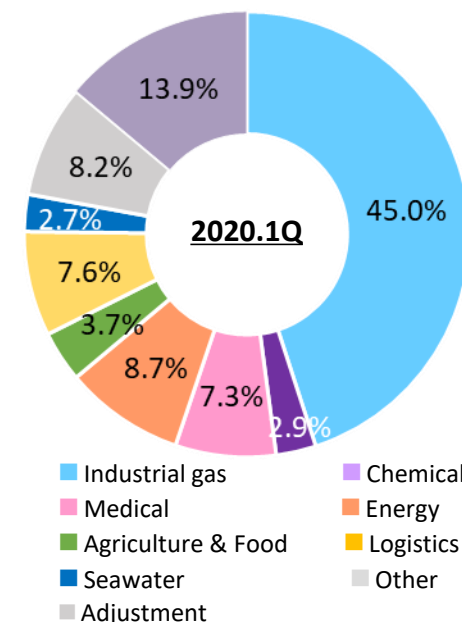


Operating profit by segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	
			Amount	Year-on-year
Industrial gas	48	39	▲8	82.6%
Chemical	▲0	3	+3	— %
Medical	11	6	▲5	58.6%
Energy	6	8	+1	119.3%
Agriculture & Food	9	3	▲5	37.5%
Logistics	6	7	+1	112.7%
Seawater	5	2	▲3	46.5%
Other	14	7	▲7	52.0%
Adjustment ※	12	12	+0	101.2%
Total	110	87	▲23	79.5%

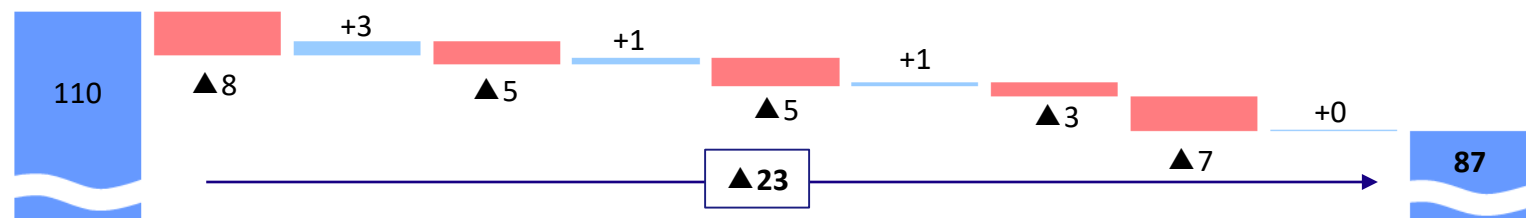
Operating profit composition ratio by segment



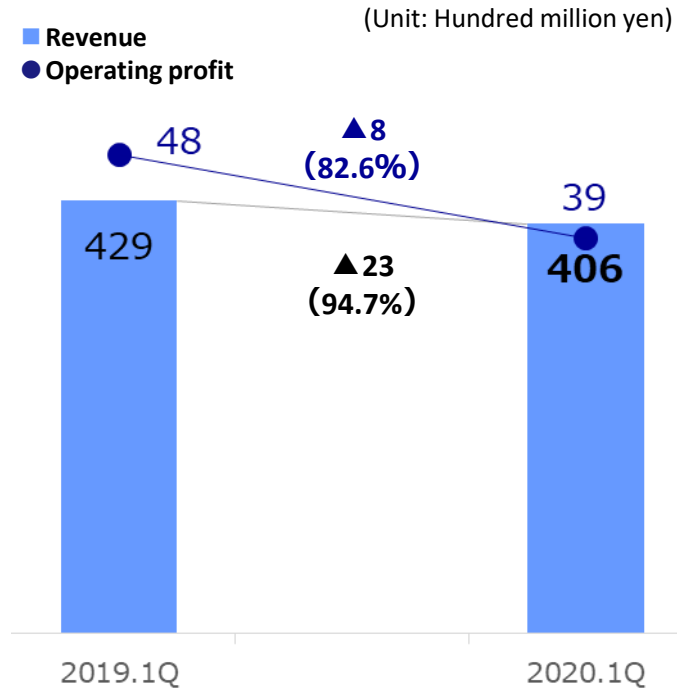
* Adjustment: Elimination of intersegment transactions and profit or loss of the company's Head Office divisions that are not allocated to each reporting segment.

Operating profit increase/decrease by segment

(Unit: Hundred million yen)



2019.1Q Industrial gas Chemical Medical Energy Agriculture & Food Logistics Seawater Other Adjustment 2020.1Q



Main increase/decrease factors

■ Revenue ▲23 hundred million yen

- 【－】 • Decline in on-site gas supply to steel manufacturers
- Decline in gas supply via lorries and cylinders
- 【＋】 • Effect of new consolidation of Air Water India Pvt. Ltd.
- Increase in sales of gas and related equipment for semiconductors

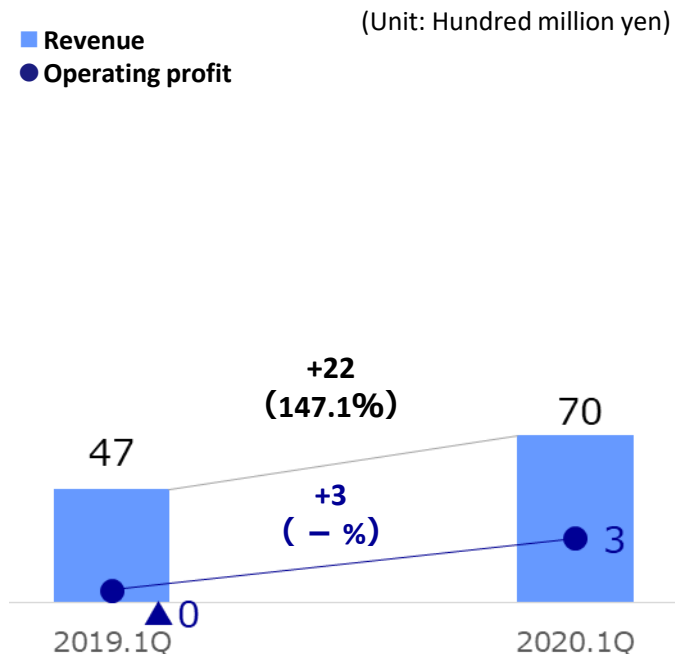
■ Operating profit ▲8 hundred million yen

- 【－】 • Decline in on-site gas supply to steel manufacturers
- Decline in gas supply via lorries and cylinders
- Reactionary decrease resulting from a gain on sale of land recorded in the previous fiscal year
- 【＋】 • Effect of new consolidation of Air Water India Pvt. Ltd.

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
Gas	299	257	▲42	86.0%
Equipment, construction and others	124	116	▲8	93.6%
Overseas	6	33	+27	537.6%
Total	429	406	▲23	94.7%



Main increase/decrease factors

■ Revenue +22 hundred million yen

- 【+】 • Effects of new consolidation of FILWEL Co., Ltd. and Daito Chemicals Co., Ltd.
- 【-】 • Fall in unit prices of, and a decline in sales of, phthalic anhydride

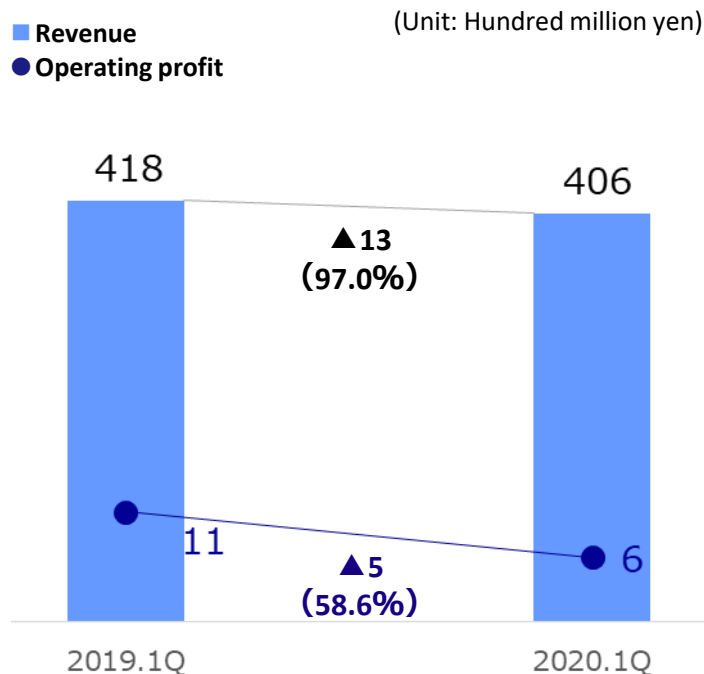
■ Operating profit +3 hundred million yen

- 【+】 • Effects of new consolidation of FILWEL Co., Ltd. and Daito Chemicals Co., Ltd.
- Increase in sales of functional chemicals for electronics materials
- Progress in earnings improvement as a result of plant reorganization
- 【-】 • Decline in sales of phthalic anhydride

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
Functional chemicals	19	46	+28	245.5%
Kawasaki Kasei Chemicals	29	23	▲5	81.8%
Total	47	70	+22	147.1%



Main increase/decrease factors

■ **Revenue ▲13 hundred million yen**

- 【－】・ Medical service (SPD) was affected by a decrease in the numbers of operations and outpatients
- 【＋】・ Hygiene products business saw an increase in sales of infection control products such as masks

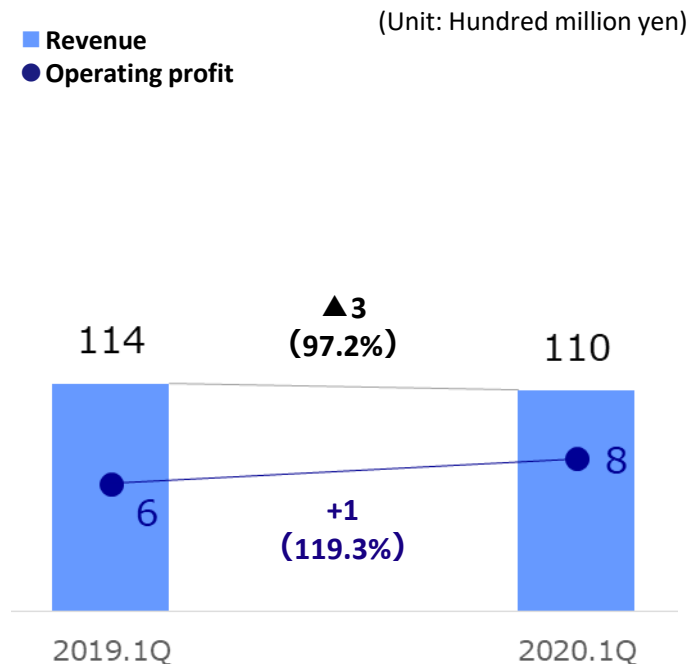
■ **Operating profit ▲5 hundred million yen**

- 【－】・ Postponements and delays of hospital facility construction projects in Japan and Singapore
- ・ Increase in development costs for the creation of new businesses
- 【＋】・ Hygiene products business saw an increase in sales of infection control products such as masks

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
Hospital facilities	44	46	+1	102.9%
Medical treatment services	203	176	▲27	86.6%
Medical gas	22	20	▲2	92.9%
Medical equipment	17	20	+3	117.7%
Home medical care	23	24	+0	101.8%
Hygiene products	59	75	+17	128.7%
Other	51	45	▲6	88.9%
Total	418	406	▲13	97.0%



Main increase/decrease factors

■ **Revenue ▲3 hundred million yen**

- 【-】 • Decline in LP gas unit sales prices that moved in tandem with CP
- Decline in sales volume of LP gas for industrial use
- 【+】 • Effects of new consolidation of a subsidiary in Vietnam

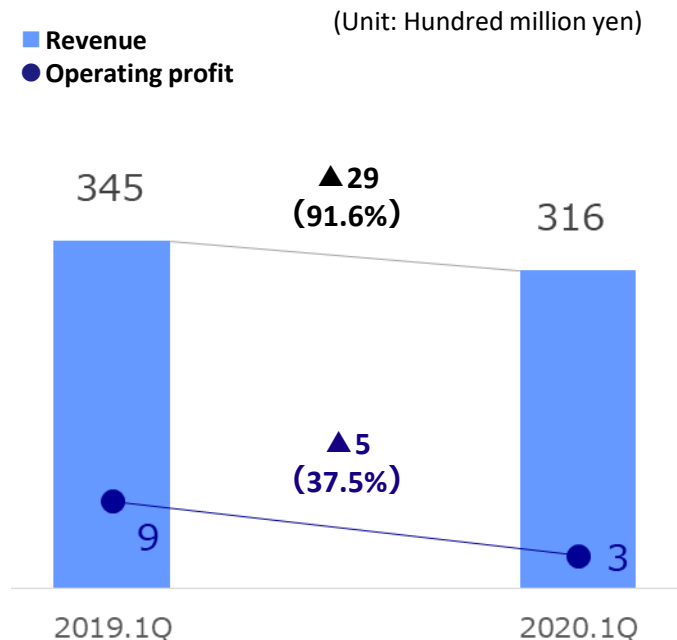
■ **Operating profit +1 hundred million yen**

- 【+】 • Increase in sales volume of LP gas for consumer use
- Strong performance in sales of kerosene in early spring
- 【-】 • Decline in sales of, and construction for, energy-related equipment

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
LP gas	111	108	▲3	97.4%
Natural gas-related	3	2	▲0	89.4%
Total	114	110	▲3	97.2%



Main increase/decrease factors

■ Revenue ▲29 hundred million yen

- 【－】
- Decline in volume of contract manufacturing of beverages due to the voluntary ban on leaving home
 - Closures and shorter operating hours of stores in vegetables and fruit sector
 - Decline in demand for food products for commercial use from restaurants and hotels

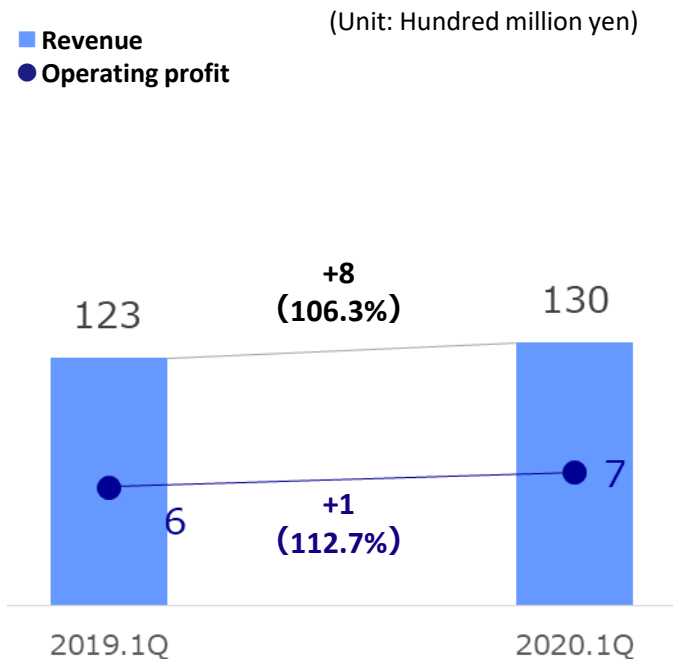
■ Operating profit ▲5 hundred million yen

- 【－】
- Decline in volume of contract manufacturing of beverages due to the voluntary ban on leaving home
 - Decline in demand for food products for commercial use from restaurants and hotels
 - Impact associated with the disposal of agricultural product stocks
- 【＋】
- Progress in earnings improvement in sweets sector

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
Farm products and food processing	134	129	▲4	96.7%
Beverage	135	119	▲15	88.7%
Other	77	67	▲9	87.7%
Total	345	316	▲29	91.6%



Main increase/decrease factors

■ Revenue +8 hundred million yen

- 【+】 • Increase in volume of shipments of low-temperature logistics for supermarkets
- Effects of new consolidation of KATSURA TSUSHO Co., Ltd.
- 【-】 • Decline in volume of general logistics and chassis transport shipments

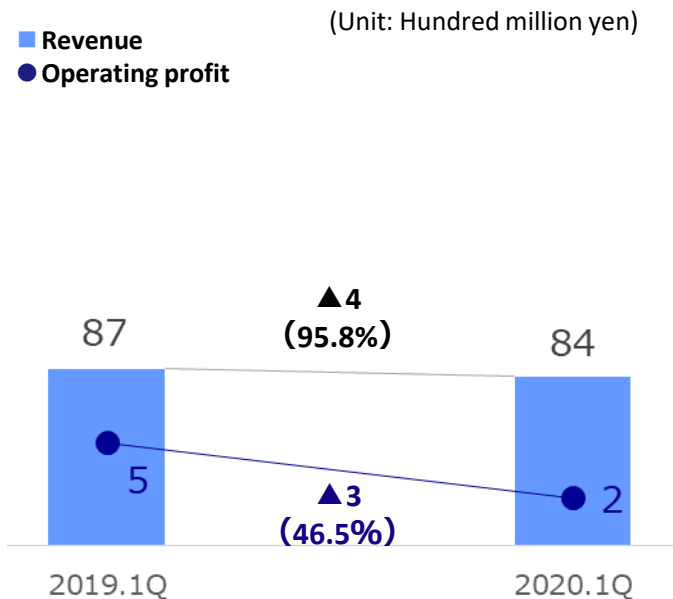
■ Operating profit +1 hundred million yen

- 【+】 • Decline in costs thanks to fall in diesel oil prices
- Progress in contract price optimization for 3PL
- Effects of new consolidation of KATSURA TSUSHO Co., Ltd.

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
Transport	53	59	+6	110.4%
3PL	56	58	+2	102.9%
Vehicle body manufacturing	14	14	+1	104.5%
Total	123	130	+8	106.3%



Main increase/decrease factors

■ **Revenue ▲4 hundred million yen**
 【－】・ Decline in sales of magnesia for general ceramic engineering

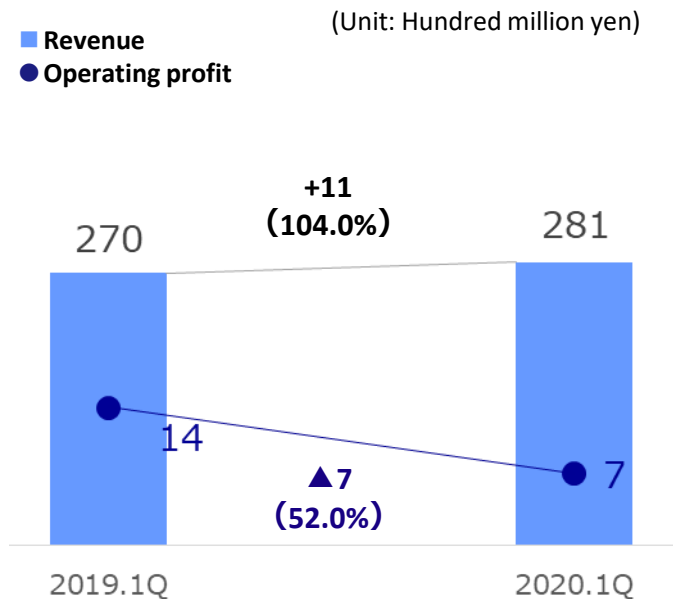
■ **Operating profit ▲3 hundred million yen**
 【－】・ Large-scale periodic repair at Sanuki plant
 ・ Periodic repair at Onahama power plant (implemented biannually)

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
Salt-related ※	63	64	+0	100.6%
Magnesia	24	20	▲4	83.2%
Total	87	84	▲4	95.8%

※ The segment consists of the salt manufacturing business, environmental business, electric power business and food product business of Nihonkaisui Co., Ltd.



Main increase/decrease factors

■ Revenue +11 hundred million yen

- 【+】 • Operation of Hofu power plant (started operation in July 2019)
- New consolidation effects in overseas engineering
- 【-】 • Postponements and delays of construction projects of construction-related subsidiaries

■ Operating profit ▲7 hundred million yen

- 【-】 • Suspension of plant operation and delay in product shipment in overseas engineering
- Postponements and delays of construction projects of construction-related subsidiaries
- 【+】 • Increase in sales of O-rings for semiconductor manufacturing equipment
- Increase in volume of contract manufacturing of alcohol-based sanitizing agents in the aerosol business

■ Revenue by sub-segment

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	Year-on-year
Aerosol	55	51	▲3	94.2%
Information and electronics materials	98	93	▲5	94.8%
Overseas engineering	34	47	+13	136.9%
Other	83	89	+6	107.6%
Total	270	281	+11	104.0%

Consolidated statement of financial position

(Unit: Hundred million yen)

	End of March 2020	End of June 2020	Increase/decrease	
			Amount	Year-on-year
Current assets	3,333	3,123	▲ 209	93.7%
Non-current assets	5,664	5,783	+119	102.1%
Total assets	8,997	8,907	▲ 90	99.0%
Current liabilities	2,835	2,597	▲ 238	91.6%
Non-current liabilities	2,644	2,775	+131	105.0%
Total liabilities	5,479	5,372	▲ 106	98.1%
Total equity	3,518	3,534	+16	100.5%
Total liabilities and equity	8,997	8,907	▲ 90	99.0%

Equity attributable to owners of the parent	3,320	3,328
Interest-bearing liabilities	3,342	3,366
Equity ratio attributable to owners of the parent	36.9%	37.4%
Net D/E ratio	0.88	0.90

Cash flow status

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease
Operating cash flows [(1)]	80	138	+58
Investment cash flows [(2)]	▲ 49	▲ 161	▲ 112
Financial cash flows [(3)]	▲ 30	▲ 43	▲ 14
Total cash flows [(1)+(2)+(3)]	2	▲ 66	▲ 68
Cash and cash equivalents at the end of the quarter	326	361	+35
Free cash flows [(1)+(2)]	32	▲ 23	▲ 55

**Full-Year Financial Results Forecast
for Fiscal year 2020**

Results forecasts are unchanged from those announced on May 28, 2020

Assumptions for the financial results forecast

The forecast was made based on the following assumptions: Although the novel coronavirus will significantly restrict economic activities including corporate production and investment in Japan and abroad during the first quarter, the voluntary restraint of economic activities will be relaxed in and after the second quarter, and the business environment moves towards normalization at a gradual pace over the period to the end of the fiscal year 2020 and will have almost returned to normal at the beginning of the fiscal year 2021.

(Unit: Hundred million yen)

	FY2019 (Results)	FY2020 (Forecast)	Increase/decrease	
			Amount	Year-on-year
Revenue	8,091	8,100	+9	100.1%
Operating profit	506	460	▲46	90.9%
Profit before income taxes	498	450	▲48	90.3%
Profit attributable to owners of the parent	304	270	▲34	88.7%
Interest-bearing liabilities	3,342	3,365	+22	100.7%
Equity attributable to owners of the parent	3,320	3,486	+166	105.0%
Total assets	8,997	9,479	+482	105.4%
Operating profit margin	6.3%	5.7%		
ROE ※1	10.0%	7.9%		
Basic net earnings per share for the period ※2	147.43 yen	118.69 yen		
Equity ratio attributable to owners of the parent	36.9%	36.8%		
Net D/E ratio	0.88	0.84		

※1 “Profit for the period attributable to owners of the parent” ÷ “Equity attributable to owners of the parent” (The average between the beginning and the end of the year)

※2 Basic earnings per share for the period are calculated based on the average number of issued shares during the year.”

Full-year financial results forecast by segment for fiscal year 2020

(Unit: Hundred million yen)

		FY2019 (Results)	FY2020 (Forecast)			Increase/decrease	
			Full-year	1H ※	2H	Amount	Year-on-year
Industrial gas	Revenue	1,890	1,960	890	1,070	+70	103.7%
	Operating profit	192	193	83	110	+1	100.3%
Chemical	Revenue	275	340	160	180	+65	123.7%
	Operating profit	13	15	5	10	+2	112.0%
Medical	Revenue	1,879	1,730	840	890	▲149	92.1%
	Operating profit	101	92	23	69	▲9	91.0%
Energy	Revenue	520	500	210	290	▲20	96.2%
	Operating profit	43	43	9	34	+1	101.1%
Agriculture & Food	Revenue	1,373	1,300	670	630	▲73	94.7%
	Operating profit	33	30	16	14	▲3	91.4%
Logistics	Revenue	504	570	280	290	+66	113.1%
	Operating profit	24	24	15	9	+0	100.2%
Seawater	Revenue	400	400	180	220	+0	100.0%
	Operating profit	29	26	8	18	▲3	88.6%
Other	Revenue	1,251	1,300	570	730	+49	104.0%
	Operating profit	73	47	15	32	▲26	64.0%
Adjustment	Operating profit	▲3	▲10	16	▲26	▲7	-
Total	Revenue	8,091	8,100	3,800	4,300	+9	100.1%
	Operating profit	506	460	190	270	▲46	90.9%

※ The consolidated results forecast announced on May 28, 2020 presents only full-year results, because it is impossible to reasonably predict when the new coronavirus infection subsides. However, based on information and predictions currently available, the 1H results forecast was calculated and we made it available to the public.

**First quarter financial results
for fiscal year 2020
Supplementary materials**

Number of consolidated companies

	End of March 2020	End of June 2020	Increase/decrease
Consolidated subsidiaries ※	125	128	Increase of 3 companies
Equity method affiliates	17	13	Decrease of 4 companies
Total	142	141	Decrease of 1 company

※ The number of consolidated subsidiaries include only companies which Air Water directly consolidates. Affiliated companies consolidated by consolidated subsidiaries are excluded from this number. Consolidated companies listed above include joint operations.

Major newly consolidated companies for fiscal year 2020

Company name	Segment	Time of start of consolidation
Air Water Vietnam Co., Ltd.	Industrial gas	2020.1Q
Pacific Petroleum Import and Export Trading Joint Stock Company	Energy	2020.1Q
KATSURA TSUSHO Co., Ltd.	Logistics	2020.1Q

(Reference) Major newly consolidated companies for fiscal year 2019

Company name	Segment	Time of start of consolidation
Air Water India Pte. Ltd.	Industrial gas	2019.2Q
Ecofroz S.A.	Agriculture & Food	2019.2Q
FILWEL Co., Ltd.	Chemical	2019.2Q
Daito Chemicals Co., Ltd.	Chemical	2019.3Q
Hitec Holding B.V.	Other	2019.3Q

Revenue by product in the industrial gas and energy businesses

(Unit: Hundred million yen)

	2019.1Q	2020.1Q	Increase/decrease	
	Amount	Amount	Amount	Year-on-year
Oxygen	76	56	▲20	73.8%
Nitrogen	75	72	▲2	97.1%
Argon	32	30	▲2	92.3%
Carbon dioxide	50	46	▲4	91.3%
Hydrogen	13	10	▲2	83.1%
Helium	7	5	▲2	74.2%
Other gases	47	38	▲9	80.4%
Industrial gas total	299	257	▲42	86.0%
LP gas	65	59	▲6	91.4%
Kerosene	18	14	▲4	78.1%

※ Revenues generated by overseas industrial gas and LP gas businesses are not included.

Meeting society's needs with nature's blessings.



AIR WATER INC.