November 9, 2022

Consolidated Financial Results (Under IFRS)
For the Second Quarter of the March 31, 2023 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 Six Months Ended September 30, 2022

(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	%
Six months ended September 30, 2022	463,666	10.5	25,925	-18.1	25,322	-18.8	16,646	-25.1	16,336	-20.7	33,329	27.0
Six months ended September 30, 2021	419,604	12.1	31,639	61.7	31,176	65.6	22,223	89.0	20,589	92.2	26,252	55.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	72.05	71.97
Six months ended September 30, 2021	91.11	91.01

(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 September 30, 2022	1,066,896	446,004	419,757	39.3
As of March 31, 2022	1,022,031	419,857	395,131	38.7

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, 2022	―	27.00	―	29.00	56.00
The fiscal year ending March 31, 2023	―	28.00			
The fiscal year ending March 31, 2023 (Forecasts)			―	28.00	56.00

(Note) Changes in forecast of dividends for the fiscal year ending March 31, 2023, from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2023

(% 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	1,000,000	12.5	62,000	-4.9	60,000	-6.6	40,000	-7.4	176.33

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2023, from the latest disclosure: Yes

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 September 30, 2022: 229,755,057 shares

As of March 31, 2022: 229,755,057 shares

b. Number of shares of treasury shares

As of September 30, 2022: 2,819,561 shares

As of March 31, 2022: 3,243,163 shares

c. Average number of shares during the term

First Six months of the fiscal year ending March 31, 2023: 226,756,043 shares

First Six months of the fiscal year ended March 31, 2022: 225,988,759 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 Second Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

During the cumulative second quarter of the current consolidated fiscal year, the Japanese economy saw steep rises in resource and energy prices and the rapid depreciation of the yen applying upward pressure on commodity prices and having a significant impact on society generally. Meanwhile, the stagnation of global supply chains began to be resolved and production for export increased. Economic activities gradually resumed in response to the lifting of activity restrictions to control COVID-19 infection. However, a slowdown in the global economy is increasingly feared due to a rise in geopolitical risks and interest-rate hikes of foreign governments to control inflation, requiring continued alert for the risk of an economic downturn.

In this business environment, the Company established "terrAWell 30," a long-term vision towards year 2030 for the Company to contribute to the solution of social issues through its business activities in line with two growth bases, namely, the global environment and wellness (healthy life), with an aim to achieve sustainable growth and an increase in corporate value. The Company has also established "terrAWell 30 1st Stage," a medium-term management plan for the three years to FY2024.

To maximize, based on these basic policy and management strategy, the synergies from the Group management resources such as diverse businesses, human resources, and technologies, the Company and its affiliates (the "Group") built a unified management system consisting of the Company's head office organization and Group companies and worked to expand businesses in growth areas, including industrial gas and electronics-related businesses in India and North America, while increasing the profitability of wellness and other existing businesses, and developing new businesses related to decarbonization.

For the current second quarter consolidated cumulative period, the Group sought to contain costs by raising the efficiency of production and distribution in its overall businesses, while revising prices to reflect the ongoing rises in the cost of energy and raw materials. As a result, all operating segments achieved profit growth primarily through higher selling prices. However, the electric power segment of the Energy Solution business faced rapidly rising prices of woody biomass and coal, which would become the fuel for power generation, in addition to sharp increases in marine transportation expenses and other procurement costs. Given a business structure in which the selling price of electric power generated under the feed-in tariff ("FIT") system for renewable energy is fixed, the Company was unable to transfer the cost increase to the selling price, which significantly affected and the business result.

Among the segments other than electric power, the financial results of Health & Safety and Agri & Foods improved year on year, thanks to the steady execution of their respective growth strategies. This contributed to the overall results of the Company. Meanwhile, the impact on the industrial gas segment of Digital & Industry partially remained until the application of a price correction associated with an increase in electricity cost. In the "Other" segment, the salt manufacturing of Nihonkaisui Co., Ltd. was affected by a rise in the coal price and the overseas engineering business was impacted by a delay in the procurement of materials for gas-related equipment.

As a result, for the current second quarter consolidated cumulative period, the group's revenue was ¥463,666 million (110.5％ that of the corresponding period of the previous year), operating profit was ¥25,925 million (81.9％), and profit attributable to owners of parent was ¥16,336 million (79.3％).

2) Consolidated results by segment for this period

The Air Water Group has established two key concepts, protection of the global environment and people's wellness, in view of global social issues we are going to confront such as the impact of climate change and the progress of the super aging of population with an aim to achieve sustainable corporate growth into the future. In April 2022, the Group conducted an organizational reform restructuring the Group's diverse business sectors into four business groups in line with the above two key concepts.

As a result, from the first quarter of the current consolidated fiscal year, the conventional eight segments, Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business, Logistics Business, Seawater Business and Other Businesses, were reorganized into five segments: Digital & Industry, Energy Solutions, Health & Safety, Agriculture & Foods and Other Businesses. The segment information for the cumulative second quarter of the previous consolidated fiscal year shown here was prepared based on the revised reporting segments.

（Million yen）

	Revenue		Operating profit	
	FY 2022.2Q	**YoY Growth**	**FY 2022.2Q**	**YoY Growth**
Digital & Industry	158,461	115.7％	12,338	93.7％
Energy Solutions	54,278	110.6％	834	18.3％
Health & Safety	109,637	106.0％	5,845	112.5％
Agriculture & Foods	75,447	107.5％	3,457	111.4％
Other Businesses	65,841	109.9％	1,609	53.9％
（Adjustment）	－	－％	1,839	70.0％
Total	463,666	110.5％	25,925	81.9％

(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.

<Digital & Industry >

Revenue in this segment was ¥158,461 million (115.7％ that of the corresponding period of the previous year), and operating profit was ¥12,338 million (93.7％).

The **business as a whole,** gas supply to the semiconductor industry and sales of related products in the electronics and functional material businesses were strong, and the industrial gas supply business in India also made steady progress. However, the impact of a rise in electricity charges remained and in July 2021, the deconsolidation of the Indian subsidiary due to the dissolution of the joint venture with it affected the overall result.

In the **electronics business,** on-site gas supply for large semiconductor manufacturers maintained a high operating rate, while sales of special chemical materials and supply equipment for the materials remained solid. Moreover, the Group focused on meeting demand associated with customers' facility additions and improvements, while sales of heat control equipment for gas refining machinery and semiconductor manufacturing equipment also remained strong. In the information electronic materials sector, sales of semiconductor materials and electronic components were strong in Japan and abroad.

The results of the **functional materials business** remained steady thanks to progress made in price revisions associated with a rise in raw material prices and an increase in sales of sodium acetate used to extend the life of food products and as the raw material for dialysis solution, O-rings (sealant) for semiconductor manufacturing facilities, magnesia for magnetic steel sheets, high-function circuit products for industrial robots, and other products, contributing to the overall solid performance.

In the **industrial gas business,** the volume of gas sold was generally unchanged year on year and remained steady as a result of the consistently steady production activities of a wide range of manufacturers, excluding automobile-related products such as electronic components, chemicals, machinery, and shipbuilding. Price revisions to pass on a sustained rise in electricity expenses accounting for more than half of the manufacturing cost of gases resulted in an increase in sales revenue. However, the impact on profit partially remained until the price revision was applied.

The **overseas and engineering 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 India and that our lorries and cylinders gas supply services also saw high demand from the automotive industries. In Vietnam, demand for gas, particularly in the steel industry, remained strong. The results of the cumulative second quarter of the current consolidated fiscal year were affected by the deconsolidation of an Indian subsidiary, a joint venture with which was dissolved in July 2021.

<Energy solutions>

Revenue in this segment was ¥54,278 million (110.6％), and operating profit was ¥834 million (18.3％).

The **business as a whole,** performance declined significantly due to the continuously high cost of marine transportation based on palm kernel shell (PKS) and coal and the impact of a delay in fuel adjustment expenses for the portion of coal power generation as well as operational changes linked to problems with facilities. Revenue in this segment excluding the electric power business was ¥39,157 million yen (111.2%), and operating profit was ¥1,905 million yen (80.6%). While sales of dry ice have been sluggish due in part to shortages of the raw material gas, the overall energy business offering LP gas as the mainstay product generally remained strong.

Sales in the **energy business** primarily supplying LP gas in the Energy Solution business increased, thanks to a rise in the unit selling price linked to import prices, which offset a fall in the sales volume of household products as a result of a fall in stay-at-home demand. Profit remained stable as a result of efforts to raise the efficiency of distribution by installing a low-power wide-area (LPWA) network through the reorganization of the household-use energy supply business in Hokkaido in April this year.
The energy segment was significantly affected by the ongoing increase in prices of PKS and coal used as fuel for power generation, given that the selling price of power generated using woody biomass is fixed in the FIT system. It was also impacted by the cost of marine transportation At the Biomass-Coal Mixed Firing Power Plant in Hofu, Yamaguchi, a loss resulted from a time lag in the application of changes in the coal price to the selling price of energy. At the woody biomass power plant in Iwaki, Fukushima, the cost of demurrage arose from the impact of facility problems and congestion at an unloading port, resulting in an extremely challenging situation.

In the **resources recycling business,** the supply of carbonic acid gas was affected by shortages of the raw material gas and sales of dry ice substantially fell during summer, the demand season, causing a severe condition. Meanwhile, the on-site supply of hydrogen gas for the semiconductor and nonferrous industries made steady progress. In addition, the Group developed the small CO2 collection device, ReCO2 STATION, and liquefied biomethane usable as an alternative fuel for LNG and built a business model for the collection and use and new energy.

< Health & Safety>

Revenue of this segment was ¥109,637 million (106.0％), and operating profit was ¥5,845 million (112.5％).

The **business as a whole,** focusing on proposals for products and services that would contribute to the stabilization of medical service systems in light of the shift to the policy of living with COVID-19 enabled the Group to steadily meet demand for home medical care provided to homebound patients, renewal construction of hospital facilities, and streamlining of hospital management through hospital supply, processing, and distribution (SPD) management. As a result, revenue increased in all businesses. Profit increased in all businesses except Consumer Health.

In the **medical products business,** sales volume of nitrous oxide increased due to demand for treatment using cardiac catheters, in addition to medical oxygen, in the medical gas segment. In the home medical care business, contracts for medical-use oxygen concentration systems leased to local governments were extended. Steady progress was made in the structural reforms to raise profitability, including the revision of the business implementation system. In the medical equipment business, the number of patients undergoing nitric oxide inhalation therapy increased and steady progress was made. In the dental sector, sales increased as insurance coverage of CAD/CAM crown materials as inlay for cavity treatment started in April 2022.

In the **safety services business,** renewal construction in the hospital facility construction sector increased due to a recent rise in nosocomial infection. The inspection and maintenance of facilities, which had been postponed due to COVID-19, resumed and supported the sales. In the fire extinguishing system business, demand for products used at power generation facilities and data centers and sales steadily grew.

The **medical service business** endeavored to acquire new customers by proposing measures to improve hospital management efficiency, and as a result, began a new project for medical product SPD. The number of contracts received and profitability grew in the contract sterilization services.

In the **consumer health business,** in the injection needle sector, there was an impact from a reactionary fall from the demand for vaccination needles in the same period of the previous year, which offset a recovery in sales of dental needles and cosmetic needles for overseas markets. The impact of a rise in the cost of raw materials partially remained in the aerosol and hygiene material sector.

<Agriculture & Foods>

Revenue of this segment was ¥75,447 million (107.5％), and operating profit was ¥3,457 million (111.4％).

The **business as a whole,** steady progress was generally achieved in the streamlining of production and distribution and in price revisions, although the business was affected by the impact of rising costs of raw materials. Focusing on product development such as food for home delivery in response to changes in customers' needs for food products and the expansion of sales of household-use frozen food and frozen vegetables resulted in steady growth in both revenue and profit, which was supported by a recovery in demand for commercial-use food products and new consolidation of Plus

Co., Ltd., the company managing farmers' markets.

In the **foods business**, the delicatessen sector steadily grew, as sales of household-use frozen food were on track through the development of new markets in addition to a recovery in demand for commercial products for convenience stores, hotels, etc. Meanwhile, in the sweets sector, sales were affected by a rise in raw material prices, and sales of vegetables and fruits stalled as prices remained high.

The **natural food business** operating contract manufacturing of vegetable- and fruit-based drinks was affected by a fall from strong demand for vegetable-based drinks in the same period of the previous year and an increase in the energy cost incurred at the factory.

The **agriculture business** sustained an impact from the decreased sales volume of potatoes, which were affected by a poor harvest in Hokkaido district in the previous fiscal year, in the vegetables and fruits sector. Meanwhile, the business of selling agricultural products delivered directly from farms operated by Plus Co., Ltd., a new subsidiary consolidated in November 2021, remained solid.

<Other business >

Revenue of this segment was ¥65,841 million (109.9％), and operating profit was ¥1,609 million (53.9％).

The **logistics business** performed steadily against a backdrop of the Group's expanding logistics networks and rising demand for logistics due to online shopping, with an increasing volume of cargo transported on the trunk line connecting Hokkaido and Eastern Japan as and increasing volume of infectious waste discharged by industrial and medical organizations being handled, which offset the impact of rising diesel oil prices.

While **Nihonkaisui Co., Ltd.** corrected the prices of commercial salt and other products, it was affected by steep rises in the cost of coal and LNG used as boiler fuel in the salt manufacturing process and the cost of marine transportation of PKS used as fuel for power generation; as a result, profit decreased year on year.

The **industrial gas business in North America** faced difficulty due to the delayed overseas procurement of some components and consequent stagnation of production despite steady progress in orders received for low-temperature containers and gas supply facilities in response to the rising demand for hydrogen energy and carbon reduction. The **power supply systems (UPS) business** was recovering from the impact of COVID-19 in Southeast Asia; however, it was affected by postponed investment plans of customers in the US and Europe.

(2) Explanation of financial position for the current period

Total assets at the end of the current second quarter consolidated fiscal year stood at ¥1,066,896 million, an increase of ¥44,864 million compared to the end of the previous consolidated fiscal year due mainly to increases in inventories. Liabilities stood at ¥620,892 million, an increase of ¥18,717 million compared to the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥446,004 million, an increase of ¥26,147 million compared to the end of the previous consolidated fiscal year, due mainly 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 ¥1,744.42 at the end of the previous consolidated fiscal year to ¥1,849.68, and ratio of equity attributable to owners of parent to total assets was 39.3％, compared with 38.7％ at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the current second quarter consolidated cumulative period was an inflow of ¥28,489 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was a decrease of ¥8,913 million compared to that in the previous second quarter consolidated cumulative period.

Cash flows from investing activities for the current second quarter consolidated cumulative period was an outflow of ¥34,216 million, an increase in expenditures of ¥12,003 million compared to the previous second quarter consolidated cumulative period, due mainly to an increase in expenditures resulting from purchase of property, plant and equipment and acquisition of shares.

Cash flows from financial activities for the current second quarter consolidated cumulative period was an inflow of ¥4,067 million, which was a decrease of ¥262 million compared to that in the previous second quarter consolidated cumulative period, due mainly to a decrease in proceeds from the issuance of bonds.

As a result of the foregoing, cash and cash equivalents at the end of the current second quarter consolidated cumulative period stood at ¥60,107 million, a decrease of ¥6,810 million compared to the end of the previous second quarter consolidated cumulative period.

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

During the current second quarter consolidated cumulative period (from April 1 through September 30, 2022), the Group worked to reduce fixed costs in all business domains and ensure a comprehensive price revision to respond to the sharp rises in the prices of resources and energy and the rapid depreciation of the yen. However, in the woody biomass power generation business that uses the feed-in tariff (FIT) system of renewable energy, the price of palm kernel shell (PKS) used as fuel for power generation and the cost of marine transportation increased rapidly and severely affected the business.

Such an environment of the woody biomass power generation business is expected to remain, to a degree, in and after the third quarter.

The full-year financial forecasts for the fiscal year ending in March 2023 will be revised in light of the above conditions and the overall business performance in the first six months of the fiscal year.

No change will be made to the dividend forecast.

Revision to forecast of the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Original forecast (A) (Announced on May 12, 2022)	Million yen 1,000,000	Million yen 70,000	Million yen 68,000	Million yen 44,000	Yen 194.25
Revised forecast (B)	1,000,000	62,000	60,000	40,000	176.33
Amount of change (B-A)	—	-8,000	-8,000	-4,000	
Percentage change (%)	—	-11.4	-11.8	-9.1	
<Reference> Results for the previous year(Fiscal year ended March 2022)	888,668	65,174	64,230	43,214	191.06

(Note) The above forecast is based on information available as of the date of this announcement, and actual results may differ from the forecast subject to various factors that may arise in the future.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	End of the previous fiscal year (As of March 31, 2022)	End of the second quarter of fiscal year (As of September 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	59,554	60,107
Trade and other receivables	203,049	201,185
Inventories	76,404	91,858
Other financial assets	5,323	6,447
Income taxes receivable	3,663	1,255
Other current assets	28,895	33,704
Total current assets	376,889	394,557
Non-current assets		
Property, plant and equipment	442,852	453,292
Goodwill	60,129	65,871
Intangible assets	28,095	33,090
Investments accounted for using equity method	30,633	31,667
Retirement benefit asset	2,846	2,411
Other financial assets	76,808	82,109
Deferred tax assets	1,400	1,423
Other non-current assets	2,373	2,471
Total non-current assets	645,141	672,338
Total assets	1,022,031	1,066,896

	End of the previous fiscal year (As of March 31, 2022)	End of the second quarter of fiscal year (As of September 30, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	149,098	146,432
Bonds and borrowings	72,648	86,556
Other financial liabilities	4,928	5,035
Income taxes payable	4,167	9,022
Provisions	1,191	1,175
Other current liabilities	31,011	30,433
Total current liabilities	263,045	278,655
Non-current liabilities		
Bonds and borrowings	273,852	275,088
Other financial liabilities	32,399	31,789
Retirement benefit liability	7,156	7,298
Provisions	4,685	4,926
Deferred tax liabilities	12,746	15,456
Other non-current liabilities	8,289	7,677
Total non-current liabilities	339,129	342,236
Total liabilities	602,174	620,892
Equity		
Share capital	55,855	55,855
Capital surplus	52,638	52,031
Treasury shares	(4,838)	(4,170)
Retained earnings	275,158	285,425
Other components of equity	16,317	30,616
Total equity attributable to owners of parent	395,131	419,757
Non-controlling interests	24,725	26,246
Total equity	419,857	446,004
Total liabilities and equity	1,022,031	1,066,896

(2) Condensed quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income

Condensed quarterly consolidated statement of profit or loss
Cumulative second quarter of the consolidated fiscal year

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Continuing operations		
Revenue	419,604	463,666
Cost of sales	(322,309)	(367,746)
Gross profit	97,294	95,919
Selling, general and administrative expenses	(69,103)	(72,939)
Other income	4,111	3,892
Other expenses	(1,657)	(2,093)
Share of profit of investments accounted for using equity method	993	1,145
Operating profit	31,639	25,925
Finance income	826	858
Finance costs	(1,290)	(1,461)
Profit before tax	31,176	25,322
Income tax expense	(8,819)	(8,672)
Profit from continuing operations	22,356	16,649
Discontinued operations		
Profit (loss) from discontinued operations	(133)	(3)
Profit	22,223	16,646
Profit attributable to		
Owners of parent	20,589	16,336
Non-controlling interests	1,633	309
Profit	22,223	16,646

Earnings per share		
Basic earnings (loss) per share		
Continuing operations	91.70	72.06
Discontinued operations	(0.59)	(0.01)
Basic earnings per share	91.11	72.05
Diluted earnings (loss) per share		
Continuing operations	91.60	71.98
Discontinued operations	(0.59)	(0.01)
Diluted earnings per share	91.01	71.97

Condensed quarterly consolidated statement of comprehensive income

Cumulative second quarter of the consolidated fiscal year

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	22,223	16,646
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	519	362
Share of other comprehensive income of investments accounted for using equity method	33	(12)
Total of items that will not be reclassified to profit or loss	552	349
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,912	11,987
Effective portion of gains and losses on hedging instruments in a cash flow hedge	1,433	4,111
Share of other comprehensive income of investments accounted for using equity method	130	234
Total of items that may be reclassified to profit or loss	3,476	16,333
Total other comprehensive income	4,028	16,683
Comprehensive income	26,252	33,329
Comprehensive income attributable to		
Owners of parent	23,826	30,876
Non-controlling interests	2,425	2,453
Comprehensive income	26,252	33,329

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
Six months ended September 30, 2021

(Million yen)

	Equity attributable to owners of parent			
	Capital	Capital surplus	Treasury shares	Retained earnings
Balance as of April 1, 2021	55,855	54,517	(5,947)	244,794
Profit	—	—	—	20,589
Other comprehensive income	—	—	—	—
Comprehensive income	—	—	—	20,589
Purchase of treasury shares	—	—	(2)	—
Disposal of treasury shares	—	23	608	—
Dividends	—	—	—	(5,033)
Share-based payment transactions	—	—	—	—
Increase (decrease) due to changes in equity	—	(1,191)	—	—
Increase (decrease) due to new consolidation	—	—	—	(174)
Decrease due to mergers	—	(61)	—	(384)
Transfer from other components of equity to retained earnings	—	—	—	421
Put option provided to non-controlling shareholders	—	(620)	—	—
Transfer to non-financial assets	—	—	—	—
Total transactions with owners	—	(1,850)	605	(5,170)
Balance as of September 30, 2021	55,855	52,667	(5,342)	260,213

(Million yen)

	Equity attributable to owners of parent							Non-controlling interests	Total equity
	Other components of equity						Total		
	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Net change in fair value of financial assets measured through other comprehensive income	Effective portion of gains and losses on hedging instruments in a cash flow hedge	Share acquisition rights	Total			
Balance as of April 1, 2021	—	(2,437)	9,186	1,504	325	8,578	357,797	14,591	372,389
Profit	—	—	—	—	—	—	20,589	1,633	22,223
Other comprehensive income	—	1,954	565	716	—	3,237	3,237	791	4,028
Comprehensive income	—	1,954	565	716	—	3,237	23,826	2,425	26,252
Purchase of treasury shares	—	—	—	—	—	—	(2)	—	(2)
Disposal of treasury shares	—	—	—	—	—	—	631	—	631
Dividends	—	—	—	—	—	—	(5,033)	(360)	(5,394)
Share-based payment transactions	—	—	—	—	(26)	(26)	(26)	—	(26)
Increase (decrease) due to changes in equity	—	—	—	—	—	—	(1,191)	(112)	(1,303)
Increase (decrease) due to new consolidation	—	(32)	—	930	—	898	723	2,458	3,182
Decrease due to mergers	—	—	—	—	—	—	(446)	—	(446)
Transfer from other components of equity to retained earnings	—	—	(421)	—	—	(421)	—	—	—
Put option provided to non-controlling shareholders	—	—	—	—	—	—	(620)	(11)	(632)
Transfer to non-financial assets	—	—	—	(187)	—	(187)	(187)	(179)	(366)
Total transactions with owners	—	(32)	(421)	743	(26)	263	(6,151)	1,793	(4,357)
Balance as of September 30, 2021	—	(515)	9,330	2,964	298	12,078	375,473	18,810	394,283

Six months ended September 30, 2022

(Million yen)

	Equity attributable to owners of parent			
	Capital	Capital surplus	Treasury shares	Retained earnings
Balance as of April 1, 2022	55,855	52,638	(4,838)	275,158
Profit	–	–	–	16,336
Other comprehensive income	–	–	–	–
Comprehensive income	–	–	–	16,336
Purchase of treasury shares	–	–	(1)	–
Disposal of treasury shares	–	22	669	–
Dividends	–	–	–	(6,637)
Share-based payment transactions	–	–	–	–
Increase (decrease) due to changes in equity	–	(441)	–	–
Increase (decrease) due to new consolidation	–	–	–	575
Decrease due to mergers	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(8)
Put option provided to non-controlling shareholders	–	(188)	–	–
Transfer to non-financial assets	–	–	–	–
Total transactions with owners	–	(607)	668	(6,070)
Balance as of September 30, 2022	55,855	52,031	(4,170)	285,425

	Equity attributable to owners of parent							Non-controlling interests	Total equity
	Other components of equity						Total		
	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Net change in fair value of financial assets measured through other comprehensive income	Effective portion of gains and losses on hedging instruments in a cash flow hedge	Share acquisition rights	Total			
Balance as of April 1, 2022	–	4,614	7,416	3,995	291	16,317	395,131	24,725	419,857
Profit	–	–	–	–	–	–	16,336	309	16,646
Other comprehensive income	–	12,052	369	2,118	–	14,539	14,539	2,143	16,683
Comprehensive income	–	12,052	369	2,118	–	14,539	30,876	2,453	33,329
Purchase of treasury shares	–	–	–	–	–	–	(1)	–	(1)
Disposal of treasury shares	–	–	–	–	–	–	692	–	692
Dividends	–	–	–	–	–	–	(6,637)	(444)	(7,082)
Share-based payment transactions	–	–	–	–	–	–	–	–	–
Increase (decrease) due to changes in equity	–	–	–	–	–	–	(441)	(79)	(521)
Increase (decrease) due to new consolidation	–	176	–	–	–	176	752	1	754
Decrease due to mergers	–	–	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	8	–	–	8	–	–	–
Put option provided to non-controlling shareholders	–	–	–	–	–	–	(188)	–	(188)
Transfer to non-financial assets	–	–	–	(426)	–	(426)	(426)	(409)	(835)
Total transactions with owners	–	176	8	(426)	–	(241)	(6,250)	(932)	(7,182)
Balance as of September 30, 2022	–	16,844	7,793	5,687	291	30,616	419,757	26,246	446,004

(4) Condensed quarterly Consolidated Statement of Cash Flows

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before tax	31,176	25,322
Profit (loss) before tax from discontinued operations	(132)	(3)
Depreciation and amortization	21,454	22,054
Interest and dividend income	(607)	(749)
Interest expenses	1,007	987
Share of loss (profit) of investments accounted for using equity method	(993)	(1,145)
Loss (gain) on sale and retirement of fixed assets	457	(32)
Decrease (increase) in trade and other receivables	8,090	3,914
Decrease (increase) in inventories	(2,258)	(13,965)
Increase (decrease) in trade and other payables	(8,148)	(1,250)
Decrease (increase) in contract assets	279	(453)
Increase (decrease) in contract liabilities	1,277	563
Other	(3,043)	(5,362)
Subtotal	48,558	29,879
Interest and dividends received	911	1,125
Interest paid	(1,066)	(993)
Income taxes paid	(10,999)	(1,521)
Net cash provided by (used in) operating activities	37,403	28,489
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,494)	(27,773)
Proceeds from sale of property, plant and equipment	446	1,814
Purchase of intangible assets	(792)	(767)
Purchase of investment securities	(1,579)	(1,261)
Proceeds from sale of investment securities	2,771	4
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(156)	(4,703)
Collection of loans receivable	329	684
Payments for acquisition of businesses	—	(2,094)
Other	262	(118)
Net cash provided by (used in) investing activities	(22,212)	(34,216)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	(58)	4,850
Proceeds from long-term borrowings	3,009	8,712
Repayments of long-term borrowings	(8,817)	(10,336)
Proceeds from issuance of bonds	20,000	10,000
Additional purchase of shares of subsidiaries	(2,500)	(551)
Proceeds from sale and leaseback transactions	265	520
Repayments of lease liabilities	(2,754)	(2,725)
Dividends paid	(5,031)	(6,633)
Dividends paid to non-controlling interests	(409)	(444)
Other	629	675
Net cash provided by (used in) financing activities	4,330	4,067
Impact of exchange fluctuations for cash and cash equivalents	456	1,369
Net increase (decrease) in cash and cash equivalents	19,977	(288)
Net increase (decrease) in cash and cash equivalents due to a change in the scope of consolidation	956	841
Cash and cash equivalents at beginning of period	45,983	59,554
Cash and cash equivalents at end of period	66,917	60,107

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on assumption of going business)

Not applicable.

(Reporting company)

Air Water Inc. (the “Company”) is a joint-stock company located in Japan. The registered address of the head office of the Company is in Chuo-ku, Osaka-shi.

The condensed quarterly consolidated financial statement of the Company and its subsidiaries (the “Group”) closes on September 30 and consists of equity interests of the Group and its affiliates and joint control agreement.

The Group operates manufacturing and sale in the segments, Digital & Industry, Energy Solutions, Health & Safety, Agriculture & Foods, and Other products and services. See the section, “segment information, etc.” for the details of each business.

(Basis of preparation)

(1) Compliance with the IFRS

The condensed quarterly consolidated financial statement of the Group satisfies the requirements of a Specified Company engaging in international financing activities in Article 1-2 of the Ordinance on Quarterly Consolidated Financial Statements and, therefore, is prepared in conformity to IAS 34 pursuant to the provisions of Article 93 of the said Ordinance.

(2) Basis of Measurement

The condensed quarterly consolidated financial statement of the Group is prepared based on acquisition costs except retirement benefit liability (Assets) and financial instruments, etc. measured at fair value.

(3) Functional Currency and Presentation Currency

The monetary amounts in the condensed quarterly consolidated financial statement are presented in units of yen, the functional currency of the Company. All financial data presented in Japanese yen are rounded down to the nearest million yen.

(4) Important Accounting Estimates and Decisions involving Estimates

In the preparation of the Group’s condensed quarterly consolidated financial statement, the business manager must make decisions, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. The actual results may vary from such estimates.

Estimates and assumptions that become the basis of estimates are reviewed continuously. The impact of a revision of accounting estimates is recognized during the accounting period in which the estimates are revised and future accounting periods that will be affected.

The important accounting estimates and decisions involving estimates in this condensed quarterly consolidated financial statement are the same as the consolidated financial statement for the accounting year ending March 31, 2022, including the impact of COVID-19.

(Significant accounting policies)

The accounting principles that the Group applies to the condensed quarterly consolidated financial statement are the same as the accounting principles applied to the consolidated financial statement for the consolidated fiscal year ending March 31, 2022.

(Segment Information)

(1) Overview of Reportable Segments

The Group’s reportable segments are components of an entity for which separate financial information is available and is evaluated regularly by the Board of Directors in determining the allocation of management resources and in assessing performance.

The Group plans comprehensive strategies for each product and service and operates its business activities. Therefore, the Group consists of operating segments for each product and service, and has five reportable segments, including “Digital & Industry,” “Energy Solutions,” “Health & Safety,” “Agriculture & Foods,” and “Other Businesses.”

The Digital & Industry segment primarily manufactures and sells oxygen, nitrogen, argon, and other industrial gasses, produces equipment related to high-pressure gases, and manufactures and sells functional materials, electronic materials, etc.

The Energy Solutions segment chiefly sells LP gas and kerosene, operates woody biomass power generation business, and manufactures and sells carbonic acid gas and hydrogen gas.

The Health & Safety segment generally manufactures and sells oxygen and other medical gases, manufactures and sells hygiene materials, operates hospital facility construction, provides home medical care, and operates an OEM contract business of aerosol products.

The Agriculture & Foods segment primarily distributes and processes vegetables and fruits, manufactures and sells frozen food and processed meat products, and operates contract manufacturing of soft drinks.

The Other Business segment consists of Nihonkaisui Co., Ltd. manufacturing and selling commercial-use salt, a distribution business providing distribution services for general cargos, food products, medical supplies, environmental products, etc., a North American instrument gas business providing instrument gas-related equipment and engineering services mostly in North America, a business supplying high-output uninterruptible power sources (UPS), etc.

(2) Matters regarding Changes in Reporting Segments

The Air Water Group has established two key concepts, protection of the global environment and people’s wellness (healthy life), in view of global social issues we are going to confront such as the impact of climate change and the progress of the super aging society. In April 2022, the Group conducted an organizational reform restructuring the Group's diverse business sectors into four business groups in line with the above two key concepts.

As a result, from the first quarter of the current consolidated fiscal year, the conventional eight segments, Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business, Logistics Business, Seawater Business and Other Businesses, were reorganized into five segments: Digital & Industry, Energy Solutions, Health & Safety, Agriculture & Foods and Other Businesses. The segment information for the cumulative second quarter of the previous consolidated fiscal year shown here was prepared based on the revised reporting segments.

(3) Information about the Amounts of Revenue and Profit or Loss by Reportable Segment

The accounting method of the reported operating segments is the same as the accounting method used to prepare the consolidated financial statements.

The profit figures of the reportable segments are operating profit. Intersegment revenue and transfers of funds are presented based on prevailing market prices.

Six months ended September 30, 2021

(Unit : Million yen)

	Reportable Segment						Adjustment (Note)	Quarterly consolidated statements of income
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Business	Total		
Revenue								
Revenue from outside customers	137,016	49,060	103,392	70,208	59,926	419,604	—	419,604
Inter-segment revenue	5,875	2,294	268	386	6,876	15,701	(15,701)	—
Total	142,892	51,354	103,660	70,594	66,803	435,305	(15,701)	419,604
Revenue by segment	13,165	4,563	5,197	3,104	2,982	29,012	2,626	31,639
Finance income								826
Finance costs								(1,290)
Operating profit								31,176

(Note) 1. The reconciling item of ¥-15,701 million yen of intersegment revenue and transfers is elimination of intersegment transactions.

2. The reconciling item of ¥2,626 million yen of segment profit is related to profit or loss of the Company's head office, which is not distributed to elimination of inter-segment transactions and each reportable segment.

Six months ended September 30, 2022

(Unit : Million yen)

	Reportable Segment						Adjustment (Note)	Quarterly consolidated statements of income
	Digital & Industry	Energy Solutions	Health & Safety	Agriculture & Foods	Other Business	Total		
Revenue								
Revenue from outside customers	158,461	54,278	109,637	75,447	65,841	463,666	—	463,666
Inter-segment revenue	5,483	3,237	187	367	6,879	16,155	(16,155)	—
Total	163,944	57,516	109,824	75,814	72,721	479,821	(16,155)	463,666
Revenue by segment	12,338	834	5,845	3,457	1,609	24,085	1,839	25,925
Finance income								858
Finance costs								(1,461)
Operating profit								25,322

(Note) 1. The reconciling item of ¥-16,155 million yen of intersegment revenue and transfers is elimination of intersegment transactions.

2. The reconciling item of 1,839 million yen of segment profit is related to profit or loss of the Company's head office, which is not distributed to elimination of inter-segment transactions and each reportable segment.

(Significant subsequent events)

Conclusion of Basic Agreement for Share Acquisition and Transfer

The Company has decided to acquire and transfer shares of Air Water & Energia Power Yamaguchi Corporation ("AWEP Yamaguchi") and Air Water & Energia Power Onahama Corporation ("AWEP Onahama"), the Company's joint ventures with The Chugoku Electric Power Co., Inc. ("Chugoku Electric"), through arrangements with Chugoku Electric, and the parties signed a basic agreement on October 28, 2022.

(1) Details of Shares Acquisition and Transfer

Shares in AWEP Yamaguchi held by the Company (51% of the total number of shares outstanding) will be transferred to Chugoku Electric, and shares in AWEP Onahama held by Chugoku Electric (49% of the total number of shares outstanding) will be acquired by the Company. As a result, AWEP Yamaguchi will be a wholly-owned subsidiary of Chugoku Electric, and AWEP Onahama will be a wholly-owned subsidiary of the Company.

(2) Background of Shares Acquisition and Transfer

The Company and Chugoku Electric have operated Hofu Biomass-Coal Mixed Firing Power Plant since July 2019 and Onahama Biomass Power Plant since April 2021 through the two joint ventures. These power plants generate power primarily using woody pellets and palm kernel shells (PKS) as fuel to contribute to an increase in the use of renewable energy and sell the power using the feed-in tariff (FIT) system for renewable energy.

Due to the elapse of a certain period since the start of operation at both of the power plants, the Company consulted with Chugoku Electric about the future involvement with the two power plants. As a result, the two companies agreed that Chugoku Electric would acquire all shares in AWEP Yamaguchi located in the Chugoku region and the Company would acquire all shares in AWEP Onahama.

(3) Names of Counterparts in the Share Acquisition and Transfer

The Chugoku Electric Power Company, Incorporated

(4) Schedule

Conclusion of the basic agreement: October 28, 2022

Conclusion of share transfer agreement: November 30, 2022 (tentative)

Execution of share acquisition and transfer: mid-January 2023 (tentative)

(5) Overview of Joint Companies Subject to Share Acquisition and Transfer

i. AWEP Yamaguchi

Company name	Air Water & Energia Power Yamaguchi
Business description	Operation and maintenance of a woody biomass-coal mixed firing power plant and sale of electric power
Capital	2 billion yen
Shareholders and their shareholding ratio	51% held by Air Water Inc. and 49% held by Chugoku Electric Power Company

ii. AWEP Onahama

Company name	Air Water & Energia Power Onahama
Business description	Operation and maintenance of a woody biomass power plant and sale of electric power
Capital	1.75 billion yen
Shareholders and their shareholding ratio	51% held by Air Water Inc. and 49% held by Chugoku Electric Power Company

(6) Name of Section that Includes the Subsidiaries in the Disclosure of Segment Information

Energy solutions

(7) Impact on Financial Results

The financial impact of this share acquisition and transfer on the Company's consolidated results for the fiscal year ending March 31, 2023, has yet to be determined as of the date of this announcement.