

August 4, 2022

Consolidated Financial Results (Under IFRS)
For the First Quarter of the March 31, 2023 Fiscal Year

AIR WATER INC.
Head Office: 12-8, Minami semba 2-chome,
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(Note: All amounts are rounded down to the nearest million yen.)

1. Results for the Three Months Ended June 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	%
Three months ended June 30, 2022	224,720	8.9	12,984	-19.4	12,683	-21.3	8,457	-26.6	8,089	-24.1	16,741	32.6
Three months ended June 30, 2021	206,400	14.5	16,114	84.8	16,114	90.5	11,518	120.6	10,656	139.4	12,630	33.3

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	35.69	35.66
Three months ended June 30, 2021	47.18	47.13

(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 June 30, 2022	1,040,159	429,660	403,873	38.8
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	—				
The fiscal year ending March 31, 2023 (Forecasts)		28.00	—	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 second quarter (cumulative)	465,000	10.8	32,000	1.1	31,500	1.0	20,500	-0.4	90.43
The fiscal year	1,000,000	12.5	70,000	7.4	68,000	5.9	44,000	1.8	194.06

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2023, 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 June 30, 2022:	229,755,057 shares
As of March 31, 2022:	229,755,057 shares
 - b. Number of shares of treasury shares

As of June 30, 2022:	2,990,723 shares
As of March 31, 2022:	3,243,163 shares
 - c. Average number of shares during the term

First Three months of the fiscal year ending March 31, 2023:	226,634,168 shares
First Three months of the fiscal year ended March 31, 2022:	225,868,513 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 First Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

During the cumulative first quarter of the current consolidated fiscal year, there was a recovery of economic activity in Japan centered around service consumption as social activity gradually moved toward normalization while the number of people newly infected with the COVID-19 coronavirus decreased.

However, inflationary pressure increased due to supply chain stagnation caused by Russia's invasion of Ukraine, China's zero COVID-19 policy, the rising prices of resources, energy, foods, etc., which is partially the result of the rapidly weakening yen, and other factors. This inflation accelerated by the rising raw materials prices impacted companies' earnings, especially in domestic demand-related industries, which resulted in the continued uncertainty for the future prospects.

In these circumstances, the Company contributed to solutions to social issues through its business activities in line with its growth axes, Global Environment and Wellness (Healthy Life) to be promoted as the Company moves toward FY2030, formulated its "terrAWell 30" long-term vision, and prepared its "terrAWell 30 1st stage" medium-term management plan, which focuses on the three years up to FY2024.

In addition, as a strategic move for the realization of the long-term vision, the Company's Group (hereinafter the "Group") implemented a major organizational reform in April 2022 to establish a management system that has unified the Company's headquarters organization and the Group companies to integrate the management resources of the Group's diverse businesses, human resources, and technologies for the creation of synergy through the optimization of the Group as a whole.

During the cumulative first quarter of the current consolidated fiscal year, the Group endeavored to expand in the electronics field and in the North American industrial gas business while taking initiatives to increase profitability by group synergy, we endeavored to create new businesses such as the collection and utilization of CO₂. The Group worked to reduce costs by streamlining production and logistics, and promoted a thorough overall revision of prices in its businesses to mitigate the impact of a rapid increase in the costs of energy and raw materials on business results.

As a result, revenue increased in all business segments due to the price revisions to address increasing costs and due to business expansion in the electronics field and medical service field. In terms of profit, the Health & Safety and Agriculture & Foods segments posted a year-on-year increase partly due to increased earnings power in an environment with continuing steady demand. At the same time, the Digital & Industry segment was affected by the exclusion of a subsidiary from consolidation, and the Energy Solutions segment was affected by a rise in costs of the maritime transport of fuel for power generation and unscheduled suspension due to equipment issues in the electricity field.

As a result, for the current first quarter consolidated cumulative period, the group's revenue was ¥224,720 million (108.9% that of the corresponding period of the previous year), operating profit was ¥12,984 million (80.6%), and profit attributable to owners of parent was ¥8,089 million (75.9%).

2) Consolidated results by segment for this period

The 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 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 first quarter of the previous consolidated fiscal year shown here was prepared based on the revised reporting segments.

(Million yen)				
	Revenue		Operating profit	
	FY 2022.1Q	YoY Growth	FY 2022.1Q	YoY Growth
Digital & Industry	75,790	112.6%	6,155	85.1%
Energy Solutions	26,784	108.3%	1,285	56.1%
Health & Safety	53,668	104.9%	2,767	100.7%
Agriculture & Foods	36,917	108.1%	1,376	122.7%
Other Businesses	31,559	108.7%	609	44.7%
(Adjustment)	-	- %	789	58.3%
Total	224,720	108.9%	12,984	80.6%

(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 ¥75,790 million (112.6% that of the corresponding period of the previous year), and operating profit was ¥6,155 million (85.1%).

The **business as a whole** posted a rise in revenue due to increased sales of gas used for semiconductor manufacturing processes, special chemicals, electronic materials, O-rings, etc. for the electronics sector, and also due to the demand for industrial gas in Japan which remained firm. In terms of profit, the Group was somewhat impacted by the timing of thorough price revisions, which the Group promoted to address the increasing industrial gas manufacturing costs due to rising electricity fees. The results of the cumulative first 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.

In the **electronics business**, on-site gas supply to the major semiconductor manufacturers performed steadily, while sales of special chemicals and others increased as a result of focusing on capturing peripheral demand associated with the improvement of customers' equipment. In addition, thermal control equipment for semiconductor manufacturing equipment sold well. In the information electronic materials sector centered on Air Water Material Co., Ltd., sales of semiconductor materials and electronic components were strong in Japan and abroad.

The results of the **functional materials business** remained strong because of the buoyant conditions in the market for organic acids and other basic chemicals due to rising crude oil prices, although sales of naphthoquinone decreased due to the impact of the lockdown in China. Also, because sales of high-performance circuit products and O-rings increased in response to the globally expanding demand for semiconductors and electronic components, the overall business remained firm.

In the **industrial gas business**, revenue from on-site gas supply services for steel manufacturers rose as the sales price was rising along with the increase of electricity fees. The tanker truck and cylinder gas supply services were impacted by the reduced automotive production, but due to solid sales for electronic components, chemicals, machinery and other products, the sales volume stayed at the same level as the previous year. In terms of profit, the timing of thorough price revisions the Group promoted to address the increasing manufacturing costs of industrial gas due to rising electricity fees impacted the Group to some degree. Hokuei Co., Ltd., which manufactures and sells metal processing products, was newly included in the scope of consolidation in February 2022.

The **overseas and engineering business** performed strongly by addressing the robust demand for on-site gas supply services for steel manufacturers in India and off-site gas supply services using tanker trucks and cylinders. The results of the cumulative first 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 of this segment was ¥26,784 million (108.3% that of the corresponding period of the previous year), and operating profit was ¥1,285 million (56.1%).

The **business as a whole** posted an increase in revenue due to LP gas unit selling price that rose in connection with the import prices and due to steady supply of industrial-use hydrogen gas. Meanwhile, surging marine transportation costs for palm kernel shells (PKS), which are used as fuel for the generation of power, mainly caused by the congestion of unloading port facilities impacted the electricity segment, in addition to equipment problems that occurred.

Excluding the electric power business, revenue in this segment was ¥19,936 million (111.2% that of the corresponding period of the previous year), and operating profit was ¥1,150 million (112.3%).

The **energy business** remained steady because of the rising LP gas unit sales price, although the sales volume of home-use products slightly decreased due to declining demand from people refraining from leaving home in the energy sector,

that has mainly consisted of the LP gas supply service, and because of the streamlining of distribution which contributed to profits by reducing costs. The electricity sector had an impact of surging marine transportation cost for PKS, which is used as fuel for power generation, mainly caused by congestion of unloading port facilities, in addition to equipment troubles occurred at the woody biomass fired power plant in Iwaki, Fukushima.

The **resource recycling business** remained strong, despite the shortage of raw material gas for the supply of carbon dioxide gas, because of the brisk on-site supply of hydrogen gas for semiconductor and nonferrous industries and the increased sales of the ECOROCA recycled wood materials. In addition, as a part of the business models prepared for resource recycling and new energy, the ReCO₂ STATION small CO₂ collection device was developed to begin initiatives for the commercialization of CO₂ collection and usage.

< Health & Safety >

Revenue of this segment was ¥53,668 million (104.9% that of the corresponding period of the previous year), and operating profit was ¥2,767 million (100.7%).

Results for the **business as a whole** included an increase in revenue despite decreased sales of hygiene materials, injection needles, medical-use oxygen, etc., demand for which increased in the same period of the previous year, because of the contributions of new contracts for SPD (supply, processing, and distribution management for hospitals), the progress in the construction of major hospital facility projects, and other factors. Although affected by the rising prices of the raw materials for aerosol and hygiene materials products, the increase of profit was also maintained due to the comprehensive proposal of products meeting the needs of medical sites, including the lease of medical-use oxygen concentrators to local governments.

The **medical products business** remained steady, despite decreased sales volume of medical-use oxygen in the medical gas sector compared to the same period in the previous fiscal year when there was a COVID-19 infection peak, because the home medical care sector continued lease contracts for medical-use oxygen concentrators for local governments and because there were an increasing number of people undergoing nitric oxide respiratory therapy in the medical equipment sector.

The **disaster prevention business** was affected by the delayed recovery of progress in the construction project in Singapore in the hospital facilities construction sector, but performed steadily due to increased renovation construction backed by increasing need for the improvement of in-hospital infection control measures in Japan and increased demand for data centers in the fire-fighting facilities sector as well.

The **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 Supply, Processing and Distribution (SPD).

In the **consumer health business**, in the dental sector, dental materials sold well as CAD/CAM crown materials began to be covered by insurance as filling for cavities from April 2022. On the other hand, the aerosol, hygiene materials, and injection needles sectors were impacted by rising raw materials costs. Overall, business results decreased year on year.

< Agriculture & Foods >

Revenue of this segment was ¥36,917 million (108.1% that of the corresponding period of the previous year), and operating profit was ¥1,376 million (122.7%).

The **business as a whole** remained strong due to steadily promoted price revisions and recovered demand for commercial-use products in the food processing sector although affected by increased costs of various raw materials. Both revenue and profit increased, and the consolidation of PLUS Co., Ltd., the company managing farmers' markets, contributed to the increase.

The **foods business** saw a recovery in demand for commercial-use products for restaurants and hotels in the ham and delicatessen sector due to the easing of restrictions on people's activities compared to the same period of the previous fiscal year. Although affected by the rising prices of raw materials, the business was supported by improved productivity in the logistics and procurement phases associated with the integration and reorganization of the Group companies implemented in the previous fiscal year. In the sweets sector, sales to convenience stores remained firm partly due to a recovery of office demand. Demand in the beverage sector was generally steady, but the sector was affected by decreased demand for vegetable-based beverages which enjoyed strong sales in the same period of the previous fiscal year.

The **agriculture business** incurred an impact of decreased sales volume of potatoes, which was affected by a poor

harvest in Hokkaido district in the previous fiscal year, in the agricultural and processing sector. Further, in November 2021, we included PLUS Co., Ltd. which operates the Farmers' Market Yottette, which are direct sales stores of agricultural products mainly in the Kansai area, in the scope of consolidation.

<Other businesses>

Revenue of this segment was ¥31,559 million (108.7% that of the corresponding period of the previous year), and operating profit was ¥609 million (44.7%).

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.

Nihonkaisui Co., Ltd. suffered from soaring marine transportation cost of PKS used as fuel for power generation in the electricity sector although the company coped with rising prices of fuels such as coal and LNG by revising prices of commercial-use salt and other products.

The **industrial gas business in North America** posted a year-on-year decrease due to the delayed overseas procurement of some components, although orders received for low-temperature containers and gas supply facilities have been steady in response to the rising demand for hydrogen energy and decarbonization. In the **high power uninterrupted power supply systems (UPS) business**, the service sector that provides maintenance and other services remained strong, but was impacted by delayed construction, etc. which was continued from the previous fiscal year.

(2) Explanation of financial position for the current period

Total assets at the end of the current first quarter consolidated fiscal year stood at ¥1,040,159 million, an increase of ¥18,127 million compared to the end of the previous consolidated fiscal year due mainly to increases in inventories. Liabilities stood at ¥610,498 million, an increase of ¥8,324 million compared to the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥429,660 million, an increase of ¥9,803 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 ¥1,781.03, and ratio of equity attributable to owners of parent to total assets was 38.8%, compared with 38.7% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the current first quarter consolidated cumulative period was an inflow of ¥10,878 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was a decrease of ¥2,859 million compared to that in the previous first quarter consolidated cumulative period.

Cash flows from investing activities for the current first quarter consolidated cumulative period was an outflow of ¥11,124 million, a decrease in expenditures of ¥898 million compared to the previous first quarter consolidated cumulative period, due mainly to a decrease in expenditures resulting from purchase of property, plant and equipment, despite a decrease in proceeds resulting from sale of investment securities and an increase in expenditures resulting from acquisition of businesses.

Cash flows from financial activities for the current first quarter consolidated cumulative period was an inflow of ¥2,960 million, which was an increase of ¥8,964 million compared to that in the previous first quarter consolidated cumulative period, due mainly to an increase in proceeds from the issuance of bonds.

As a result of the foregoing, cash and cash equivalents at the end of the current first quarter consolidated cumulative period stood at ¥63,731 million, an increase of ¥20,729 million compared to the end of the previous first quarter consolidated cumulative period.

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

Our full-year operating results forecasts remain unchanged from the forecasts announced on May 12, 2022.