February 8, 2023

Consolidated Financial Results (Under IFRS)
For the Third 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 Nine months Ended December 31, 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	%
Nine months ended December 31, 2022	724,769	12.0	41,429	-16.4	41,060	-16.2	26,705	-21.9	26,492	-17.6	36,877	-7.2
Nine months ended December 31, 2021	647,017	10.3	49,586	36.8	49,024	39.1	34,178	47.3	32,144	51.5	39,753	42.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	116.78	116.66
Nine months ended December 31, 2021	142.18	142.02

(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, 2022	1,118,839	443,619	418,519	37.4
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	176.25

(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 December 31, 2022: 229,755,057 shares

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

b. Number of shares of treasury shares

As of December 31, 2022: 2,537,557 shares

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

c. Average number of shares during the term

First Nine months of the fiscal year ending March 31, 2023: 226,860,794 shares

First Nine months of the fiscal year ended March 31, 2022: 226,085,048 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

During the cumulative third quarter of the current consolidated fiscal year, the Japanese economy was trending gradually upward. There was a recovery of social and economic activity which were impacted by the COVID-19 pandemic and a return to normal. Accordingly, consumer spending rallied and capital investment related to the digital shift and the decarbonization of society increased. Meanwhile, the negative impact of the increased goods prices due to the increased energy prices and foreign exchange fluctuations on the real economy was huge, sharply slowing the current economic recovery. To control inflation, several countries raised interest rates. This fueled the slowdown of the global economy. The future outlook remains quite uncertain.

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. In accordance with the basic policy and the management strategy, the Company and its affiliates (the "Group") aim to maximize the synergy created from the Group management resources, namely its diverse businesses, human resources and technologies. To achieves this, the Group has built a management system consisting of business units integrating the Company’s head office organization and Group companies. Thus, the Group is working to expand growth areas, increase profitability and develop new businesses.

During the cumulative third quarter of the current consolidated fiscal year, the Group implemented proactive capital investments in supply infrastructure in electronics-related businesses which are defined as a growth area and in the industrial gas supply business in India and elsewhere to capture brisk demand and achieved steady growth. After increasing the Group's synergy in its adaptation to change in the business environment following the pandemic, the Health & Safety segment exhibited strong performance on the whole, driving the results of the Company as a whole.

In a situation where energy and raw material prices were expected to continue rising and where cost increases would continue, the Group defined profitability improvement in consideration of soaring costs as a top priority issue and endeavored to reduce costs by streamlining production and logistics and to carry out thorough price revisions. At the same time, we implemented thorough price revisions to cover cost increases that could not be covered by our own efforts. As a result, all operating segments achieved revenue growth primarily through higher selling prices.

However, the electric power business faced the rapidly rising prices of woody biomass and coal, which are the fuel for power generation and sharp increases in marine transportation expenses and other procurement costs. Given its 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. This significantly affected its business result.

The negative impact lingered in some businesses until the price revisions came into effect. The Energy Solutions segment was impacted chiefly by the shortage of raw materials for carbonic acid gas.

As a result, for the current third quarter consolidated cumulative period, the group’s revenue was ¥724,769 million (112.0％ that of the corresponding period of the previous year), operating profit was ¥41,429 million (83.6％), and profit attributable to owners of parent was ¥26,492 million (82.4％).

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.

For the electric power business using woody biomass, the management system has been changed to optimize business operations in view of the drastic changes in the business environment. Accordingly, the electric power business using woody biomass is included in the Other Business segment from the third quarter of the current consolidated fiscal year onwards. It was previously categorized as part of Energy Solutions.

The segment information for the cumulative third quarter of the previous consolidated fiscal year shown here was prepared based on the revised reporting segments.

（Unit：Million yen)

	Revenue		Operating profit	
	FY 2022.3Q	**YoY Growth**	**FY 2022.3Q**	**YoY Growth**
Digital & Industry	247,990	117.7%	20,013	97.8%
Energy Solutions	63,043	109.5%	3,523	79.7%
Health & Safety	168,954	107.8%	9,700	113.8%
Agriculture & Foods	115,486	106.9%	5,221	90.2%
Other Businesses	129,294	113.5%	1,236	16.5%
（Adjustment）	－	－%	1,735	59.8%
Total	724,769	112.0%	41,429	83.6%

(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 ¥247,990 million (117.7% that of the corresponding period of the previous year), and operating profit was ¥20,013 million (97.8%).

Regarding the **business as a whole**, performance was driven by strong sales of equipment and materials for semiconductor manufacturing and by the buoyancy of the industrial gas supply business in India although there were some signs of a slowdown in the third quarter and later. The Group made intensive efforts to rectify prices in response to the increase of electricity fees. This increase continued to impact the Group until the revised prices came into effect.

In the **electronics business**, the performance of on-site gas supply for large semiconductor manufacturers was steady. Although there were some signs of a slowdown in the third quarter and later, sales of special chemical materials and equipment for supplying special chemical materials for semiconductor manufacturing as well as heat control equipment for gas refining machinery and for semiconductor manufacturing equipment in the peripheral area were buoyant in general. Also in the information electronic materials sector, sales of semiconductor materials and electronic components were strong in Japan and abroad.

In the **functional materials business**, there began to be progress in inventory adjustments in the semiconductor supply chain in the third quarter. This led to a decline in demand for precision polishing pads, electronic materials and other items. Meanwhile, sales of O-rings (sealing materials) for semiconductor manufacturing equipment, which had an order backlog, and sales of high-performance circuit products for industrial robots were maintained at a certain level. The increase of the prices of basic chemicals connected to the conditions of the petrochemical market resulted in a revenue increase. Operating profit was supported by increases in sales of sodium acetate as a material for shelf-life enhancers for food and for dialysis fluid and in sales of magnesia for magnesia for electromagnetic steel plates and other products with large market shares. The results of the business as a whole were strong.

In the **industrial gas business**, the volume of gas sold dropped slightly year on year due largely to a delay in automobile production amid the semiconductor shortage and the shrinking demand for steel materials. 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 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 we worked to streamline plant operations. Regarding tanker truck and cylinder gas supply services, climbing demand for services for automobiles led to a growth in sales volume.

<Energy solutions>

Revenue in this segment was ¥63,043 million (109.5%), and operating profit was ¥3,523 million (79.7%).

The **business as a whole** suffered a huge dip in profit resulting mainly from a shortage of raw materials in the carbonic acid gas supply despite revenue growth following the rise of the unit selling price of LP gas in connection with the import prices.

The **energy business** saw sales grow due to a surge in unit selling price for LP gas supply linked to import prices. In addition, we introduced a low-power wide-area (LPWA) network for streamlining deliveries and actively purchased commercial rights to expand the customer base and increase the percentage of direct sales. Meanwhile, the sales volume of LP gas to households decreased year on year due to a decline in demand from people staying home and consumers' hesitation to consume gas following a price increase, although we carried out a price revision in response to the swelling costs of equipment and other expenses.

In the **resources recycling business**, sales plunged considerably year on year. This was due to a decrease in dry ice sales in the high-demand summer season chiefly due to a shortage of the raw material gas in the carbonic acid gas supply. In contrast, hydrogen gas achieved brisk sales mainly in on-site supply to the nonferrous metals industry. 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 ¥168,954 million (107.8％), and operating profit was ¥9,700 million (113.8％).

The results of the **business as a whole** were healthy. After it focused on proposals for products and services that would help stabilize medical service systems in light of the shift to the policy for the endemic COVID-19 era, it steadily captured demand for oxygen concentrators for homebound patients, for the renovation of hospital facilities and for the streamlining of hospital management through supply, processing, and distribution (SPD) management. In addition, the business saw the expansion of the consumer health business, which includes home medical care, dental services, hygiene materials and other operations that are closer to consumers.

In the **medical products business**, we revised the prices of different products in the medical gas sector. In addition, the sales volume of medical oxygen and nitrous oxide increased due to surging demand for treatments using cardiac catheters. In the home medical care business, contracts for leasing oxygen concentrators to local governments continued and the number of units leased to hospitals increased. 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**, renovation projects increased in the hospital facility construction sector amid growing needs for measures to prevent nosocomial infections. In addition, the inspection and maintenance of facilities resumed after their postponement due to the COVID-19 pandemic. Hospital facility projects in Singapore improved after restrictions on activities were eased. Their sales have been good. In the fire extinguishing system business, demand for products used at power generation facilities and data centers and sales steadily grew.

Steady sales were achieved in the **medical service business**. Efforts were made to acquire new customers by proposing measures to improve hospital management efficiency, and new projects were gained for SPD management related to medical products. The number of contracts received and profitability grew in the contract sterilization services.

The performance of the **consumer health business** was strong after the rallying of sales related to vaccination needs in the injection needle sector as well as dental needs and cosmetic needs in overseas markets. In the hygiene material sector, sales of masks, hand sanitizers and other infection control products were solid. Kawamoto Corporation, a Group subsidiary, posted a gain on bargain purchase in an M&A transaction. The aerosol sector partly continued to be negatively affected by the increased costs of raw materials while the commissioned production of ultraviolet (UV) protection sprays and cosmetics was on the increase.

<Agriculture & Foods>

Revenue of this segment was ¥115,486 million (106.9％), and operating profit was ¥5,221 million (90.2％).

In the **business as a whole**, sales channels expanded for delicatessen products and demand for commercial food products turned around. We proceeded with price revisions in response to rising raw materials and energy costs. However, the increased prices of goods chilled consumer sentiment, leading to poor sales in the sweets sector and in the fruit and vegetable retail sector. New consolidation following the merger and acquisition in the previous fiscal year had a positive effect, while the posting of a gain on sale of land in the same period a year earlier had a negative impact on year-on-year change in operating profit.

In the **foods business**, demand for commercial products recovered from hotels and restaurants in the delicatessen sector. The development of new sales channels and the release of new products led to brisk sales of delicatessen products for consumers and household-use frozen food. In contrast, the sweets sector was weak, mainly in sales to convenience stores as principal customers, after consumer sentiment cooled due to rising goods prices.

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.

In the **agriculture business**, sales were sluggish. Despite strong direct sales of agricultural produce in the Kansai region by Plus K.K., which was included in consolidated accounting in November 2021, a poor harvest of some agricultural produce in Hokkaido affected the fruit and vegetable wholesale and processing sector. Sales were also poor in the fruit and vegetable retail sector, which ran stores in department stores and other facilities, due to the high market prices of fruit and vegetables.

<Other business>

Revenue of this segment was ¥129,294 million (113.5％), and operating profit was ¥1,236 million (16.5％).

In the **logistics business**, the volume of cargo transported on trunk lines, mainly those between Hokkaido and Eastern Japan, increased after the expansion of the Group's logistics networks. The third party logistics (3PL) business, centering on food distribution, increased the volume of shipments for supermarkets and also focused on the rationalization of rates. The vehicle custom installation business, which designs truck bodies and installs accessories, was affected by the delayed deliveries of truck bodies. The negative effect of this was compensated for by a rise in the volume of industrial and medical waste collected and transported. Consequently, the performance of the business as a whole was brisk.

The performance of **Nihonkaisui Co., Ltd.** was weak. It corrected the prices of commercial salt and other products twice in response to the soaring prices of coal and LNG which are used as fuels for boilers in the salt manufacturing process. This increased revenue and minimized the adverse impact of rising prices on profit. However, the increase of marine transportation fees for the transportation of palm kernel shells (PKS) used as fuel for power generation impacted the power generation sector, which uses the FIT system.

The **industrial gas business in North America** faced difficulty due to the delayed overseas procurement of some components and the resulting stagnation of production despite steady progress in orders received for liquefied hydrogen tanks and other items amid rising demand for solutions related to carbon reduction.

The **power supply system (UPS) business** was trending toward a turnaround. While it was impacted by the limited completion of large projects due to the postponement of customers' investment plans, surging materials prices and other factors in Europe and the United States, the relaxation of activity restrictions mitigated construction project delays in the Southeast Asia.

The **electric power business** was severely impacted by the continued increase of the prices of PKS and coal which are the fuels used in power generation and the continued increase of marine transportation costs as well as the cost of demurrage that has been incurred due to the congestion of port unloading facilities and equipment failure. There were great difficulties in the business as the selling price of the power generated using woody biomass is fixed under the FIT system.

(2) Explanation of financial position for the current period

Total assets at the end of the current third quarter consolidated fiscal year stood at ¥1,118,839 million, an increase of ¥96,808 million from the end of the previous consolidated fiscal year due primarily to an increases in trade and other receivables. Liabilities stood at ¥675,220 million, an increase of ¥73,045 million from the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥443,619 million, an increase of ¥23,762 million from the end of the previous consolidated fiscal year, due mainly to an accumulation of profit attributable to owners of the parent and an increase in other components of equity.

Equity attributable to owners of parent per share grew from ¥1,744.42 at the end of the previous consolidated fiscal year to ¥1,841.93, and ratio of equity attributable to owners of parent to total assets changed to 37.4% from 38.7% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the cumulative third quarter of the current fiscal year was an inflow of ¥35,959 million, reflecting a decrease of 10,655 million from the same period of the previous fiscal year, after deducting income taxes paid from profit before tax, depreciation and others.

Cash flows from investing activities for the cumulative third quarter of the current fiscal year was an outflow of 54,606 million, reflecting an increase in outflow by ¥18,534 million from the same period of the previous fiscal year, due chiefly to a growth in purchase of property, plant and equipment.

Cash flows from financing activities for the cumulative third quarter of the current fiscal year was an inflow of ¥25,233 million, reflecting an increase of ¥30,614 million from the same period of the previous fiscal year, due mainly to a rise in proceeds from borrowings.

As a result, cash and cash equivalents at the end of the cumulative third quarter of the current fiscal year stood at ¥67,201 million, an increase of ¥14,557 million from the end of the third quarter of the previous consolidated fiscal year.

(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 November 9, 2022.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit：Million yen)

	End of the previous fiscal year (As of March 31, 2022)	End of the third quarter of fiscal year (As of December 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	59,554	67,201
Trade and other receivables	203,049	226,567
Inventories	76,404	95,356
Other financial assets	5,323	5,177
Income taxes receivable	3,663	4,332
Other current assets	28,895	39,380
Subtotal	376,889	438,016
Assets held for sale	—	36,271
Total current assets	376,889	474,287
Non-current assets		
Property, plant and equipment	442,852	435,166
Goodwill	60,129	64,216
Intangible assets	28,095	32,079
Investments accounted for using equity method	30,633	32,322
Retirement benefit asset	2,846	2,406
Other financial assets	76,808	74,120
Deferred tax assets	1,400	1,719
Other non-current assets	2,373	2,520
Total non-current assets	645,141	644,552
Total assets	1,022,031	1,118,839

	End of the previous fiscal year (As of March 31, 2022)	End of the third quarter of fiscal year (As of December 31, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	149,098	168,055
Bonds and borrowings	72,648	110,251
Other financial liabilities	4,928	4,832
Income taxes payable	4,167	6,058
Provisions	1,191	1,189
Other current liabilities	31,011	37,539
Subtotal	263,045	327,927
Liabilities directly associated with assets held for sale	—	22,930
Total current liabilities	263,045	350,858
Non-current liabilities		
Bonds and borrowings	273,852	263,302
Other financial liabilities	32,399	29,439
Retirement benefit liability	7,156	7,452
Provisions	4,685	3,404
Deferred tax liabilities	12,746	12,920
Other non-current liabilities	8,289	7,842
Total non-current liabilities	339,129	324,362
Total liabilities	602,174	675,220
Equity		
Share capital	55,855	55,855
Capital surplus	52,638	52,206
Treasury shares	(4,838)	(3,738)
Retained earnings	275,158	289,243
Other components of equity	16,317	22,707
Other components of equity related to disposal group held for sale	—	2,243
Total equity attributable to owners of parent	395,131	418,519
Non-controlling interests	24,725	25,099
Total equity	419,857	443,619
Total liabilities and equity	1,022,031	1,118,839

(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 third quarter of the consolidated fiscal year

(Unit：Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Continuing operations		
Revenue	647,017	724,769
Cost of sales	(498,185)	(577,774)
Gross profit	148,831	146,995
Selling, general and administrative expenses	(104,211)	(109,548)
Other income	5,657	5,138
Other expenses	(2,161)	(2,955)
Share of profit of investments accounted for using equity method	1,470	1,801
Operating profit	49,586	41,429
Finance income	1,203	1,601
Finance costs	(1,764)	(1,971)
Profit before tax	49,024	41,060
Income tax expense	(14,729)	(14,365)
Profit from continuing operations	34,295	26,694
Discontinued operations		
Profit (loss) from discontinued operations	(117)	10
Profit	34,178	26,705
Profit attributable to		
Owners of parent	32,144	26,492
Non-controlling interests	2,033	212
Profit	34,178	26,705

Earnings per share		
Basic earnings (loss) per share		
Continuing operations	142.70	116.73
Discontinued operations	(0.52)	0.05
Basic earnings per share	142.18	116.78
Diluted earnings (loss) per share		
Continuing operations	142.54	116.61
Discontinued operations	(0.52)	0.05
Diluted earnings per share	142.02	116.66

Condensed quarterly consolidated statement of comprehensive income

Cumulative third quarter of the consolidated fiscal year

(Unit：Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	34,178	26,705
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	(422)	52
Share of other comprehensive income of investments accounted for using equity method	61	(23)
Total of items that will not be reclassified to profit or loss	(361)	29
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,273	8,347
Effective portion of gains and losses on hedging instruments in a cash flow hedge	2,511	1,550
Share of other comprehensive income of investments accounted for using equity method	151	245
Total of items that may be reclassified to profit or loss	5,936	10,142
Total other comprehensive income	5,575	10,172
Comprehensive income	39,753	36,877
Comprehensive income attributable to		
Owners of parent	36,422	35,669
Non-controlling interests	3,331	1,207
Comprehensive income	39,753	36,877

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
Nine months ended December 31, 2021

(Unit：Million yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2021	55,855	54,517	(5,947)	244,794	—	(2,437)
Profit	—	—	—	32,144	—	—
Other comprehensive income	—	—	—	—	—	3,336
Comprehensive income	—	—	—	32,144	—	3,336
Purchase of treasury shares	—	—	(2)	—	—	—
Disposal of treasury shares	—	25	966	—	—	—
Dividends	—	—	—	(11,213)	—	—
Share-based payment transactions	—	—	—	—	—	—
Increase (decrease) due to changes in equity	—	(1,669)	—	—	—	—
Increase (decrease) due to new consolidation	—	—	—	(150)	—	(32)
Decrease due to mergers	—	(61)	—	(384)	—	—
Transfer from other components of equity to retained earnings	—	—	—	(507)	—	—
Put option provided to non-controlling shareholders	—	(721)	—	—	—	—
Transfer to non-financial assets	—	—	—	—	—	—
Transfer to other components of equity related to disposal group held for sale	—	—	—	—	—	—
Total transactions with owners	—	(2,426)	963	(12,255)	—	(32)
Balance as of December 31, 2021	55,855	52,090	(4,983)	264,682	—	865

(Unit : Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Other components of equity				Other components of equity related to disposal group held for sale	Total		
	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	9,186	1,504	325	8,578	―	357,797	14,591	372,389
Profit	―	―	―	―	―	32,144	2,033	34,178
Other comprehensive income	(343)	1,285	―	4,277	―	4,277	1,297	5,575
Comprehensive income	(343)	1,285	―	4,277	―	36,422	3,331	39,753
Purchase of treasury shares	―	―	―	―	―	(2)	―	(2)
Disposal of treasury shares	―	―	―	―	―	991	―	991
Dividends	―	―	―	―	―	(11,213)	(363)	(11,576)
Share-based payment transactions	―	―	(33)	(33)	―	(33)	―	(33)
Increase (decrease) due to changes in equity	―	―	―	―	―	(1,669)	(345)	(2,014)
Increase (decrease) due to new consolidation	―	930	―	898	―	747	5,594	6,341
Decrease due to mergers	―	―	―	―	―	(446)	―	(446)
Transfer from other components of equity to retained earnings	507	―	―	507	―	―	―	―
Put option provided to non-controlling shareholders	―	―	―	―	―	(721)	(11)	(733)
Transfer to non-financial assets	―	(286)	―	(286)	―	(286)	(275)	(561)
Transfer to other components of equity related to disposal group held for sale	―	―	―	―	―	―	―	―
Total transactions with owners	507	644	(33)	1,085	―	(12,633)	4,599	(8,033)
Balance as of December 31, 2021	9,350	3,433	291	13,941	―	381,586	22,522	404,109

Nine months ended December 31, 2022

(Unit：Million yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2022	55,855	52,638	(4,838)	275,158	－	4,614
Profit	－	－	－	26,492	－	－
Other comprehensive income	－	－	－	－	－	8,410
Comprehensive income	－	－	－	26,492	－	8,410
Purchase of treasury shares	－	－	(2)	－	－	－
Disposal of treasury shares	－	22	1,102	－	－	－
Dividends	－	－	－	(13,047)	－	－
Share-based payment transactions	－	－	－	－	－	－
Increase (decrease) due to changes in equity	－	(258)	－	－	－	－
Increase (decrease) due to new consolidation	－	－	－	575	－	176
Decrease due to mergers	－	－	－	－	－	－
Transfer from other components of equity to retained earnings	－	－	－	64	－	－
Put option provided to non-controlling shareholders	－	(196)	－	－	－	－
Transfer to non-financial assets	－	－	－	－	－	－
Transfer to other components of equity related to disposal group held for sale	－	－	－	－	－	－
Total transactions with owners	－	(432)	1,100	(12,407)	－	176
Balance as of December 31, 2022	55,855	52,206	(3,738)	289,243	－	13,202

(Unit：Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Other components of equity				Other components of equity related to disposal group held for sale	Total		
	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	7,416	3,995	291	16,317	－	395,131	24,725	419,857
Profit	－	－	－	－	－	26,492	212	26,705
Other comprehensive income	34	732	－	9,177	－	9,177	994	10,172
Comprehensive income	34	732	－	9,177	－	35,669	1,207	36,877
Purchase of treasury shares	－	－	－	－	－	(2)	－	(2)
Disposal of treasury shares	－	－	－	－	－	1,125	－	1,125
Dividends	－	－	－	－	－	(13,047)	(601)	(13,649)
Share-based payment transactions	－	－	－	－	－	－	－	－
Increase (decrease) due to changes in equity	－	－	－	－	－	(258)	(204)	(463)
Increase (decrease) due to new consolidation	－	－	－	176	－	752	603	1,355
Decrease due to mergers	－	－	－	－	－	－	－	－
Transfer from other components of equity to retained earnings	(64)	－	－	(64)	－	－	－	－
Put option provided to non-controlling shareholders	－	－	－	－	－	(196)	－	(196)
Transfer to non-financial assets	－	(655)	－	(655)	－	(655)	(629)	(1,285)
Transfer to other components of equity related to disposal group held for sale	－	(2,243)	－	(2,243)	2,243	－	－	－
Total transactions with owners	(64)	(2,899)	－	(2,787)	2,243	(12,282)	(833)	(13,115)
Balance as of December 31, 2022	7,385	1,828	291	22,707	2,243	418,519	25,099	443,619

(4) Condensed quarterly Consolidated Statement of Cash Flows

(Unit：Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before tax	49,024	41,060
Profit (loss) before tax from discontinued operations	(116)	10
Depreciation and amortization	32,347	33,462
Interest and dividend income	(993)	(1,256)
Interest expenses	1,470	1,565
Share of loss (profit) of investments accounted for using equity method	(1,470)	(1,801)
Loss (gain) on sale and retirement of fixed assets	122	10
Decrease (increase) in trade and other receivables	(12,435)	(23,496)
Decrease (increase) in inventories	(7,483)	(18,247)
Increase (decrease) in trade and other payables	11,882	22,448
Decrease (increase) in contract assets	(1,551)	(4,222)
Increase (decrease) in contract liabilities	2,426	5,749
Other	(3,662)	(6,597)
Subtotal	69,561	48,684
Interest and dividends received	1,299	1,618
Interest paid	(1,464)	(1,471)
Income taxes paid	(22,782)	(12,871)
Net cash provided by (used in) operating activities	46,615	35,959
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,870)	(46,402)
Proceeds from sale of property, plant and equipment	1,264	2,083
Purchase of intangible assets	(1,094)	(1,179)
Purchase of investment securities	(6,944)	(2,330)
Proceeds from sale of investment securities	4,926	102
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,885)	(5,147)
Collection of loans receivable	380	837
Payments for acquisition of businesses	—	(2,094)
Other	150	(476)
Net cash provided by (used in) investing activities	(36,072)	(54,606)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	543	26,105
Proceeds from long-term borrowings	3,786	22,928
Repayments of long-term borrowings	(12,868)	(17,755)
Proceeds from issuance of bonds	20,000	10,000
Additional purchase of shares of subsidiaries	(3,188)	(691)
Proceeds from sale and leaseback transactions	489	541
Repayments of lease liabilities	(3,911)	(3,734)
Dividends paid	(10,802)	(12,662)
Dividends paid to non-controlling interests	(412)	(601)
Other	984	1,103
Net cash provided by (used in) financing activities	(5,380)	25,233
Impact of exchange fluctuations for cash and cash equivalents	541	449
Net increase (decrease) in cash and cash equivalents	5,703	7,035
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
Net increase (decrease) in cash and cash equivalents contained in assets held for sale	—	(229)
Cash and cash equivalents at end of period	52,644	67,201

(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 December 31 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, 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), electric power business using woody biomass, 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. For the electric power business using woody biomass, the management system has been changed to optimize business operations in view of the drastic changes in the business environment. Accordingly, the electric power business using woody biomass is included in the Other Business segment from the third quarter of the current consolidated fiscal year onwards. It was previously categorized as part of Energy Solutions. The segment information for the cumulative third 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.

Nine months ended December 31, 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	210,682	57,568	156,727	108,073	113,964	647,017	—	647,017
Inter-segment revenue	8,002	3,408	505	566	10,019	22,502	(22,502)	—
Total	218,685	60,976	157,233	108,640	123,983	669,519	(22,502)	647,017
Revenue by segment	20,468	4,418	8,527	5,786	7,485	46,686	2,899	49,586
Finance income								1,203
Finance costs								(1,764)
Operating profit								49,024

(Note) 1. The reconciling item of -22,502 million yen of intersegment revenue and transfers is elimination of intersegment transactions.

2. The reconciling item of 2,899 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.

Nine months ended December 31, 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	247,990	63,043	168,954	115,486	129,294	724,769	—	724,769
Inter-segment revenue	7,852	4,872	290	522	10,595	24,132	(24,132)	—
Total	255,842	67,916	169,244	116,008	139,889	748,902	(24,132)	724,769
Revenue by segment	20,013	3,523	9,700	5,221	1,236	39,694	1,735	41,429
Finance income								1,601
Finance costs								(1,971)
Operating profit								41,060

(Note) 1. The reconciling item of -24,132 million yen of intersegment revenue and transfers is elimination of intersegment transactions.

2. The reconciling item of 1,735 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)

Shares Acquisition and Transfer

On October 28, 2022, the Company's Board of Directors decided to acquire and transfer shares of Air Water & Energia Power Yamaguchi Corporation (Energia Power Yamaguchi Corporation formerly known as “AWEP Yamaguchi”) and Air Water & Energia Power Onahama Corporation (Air Water Onahama Biomass Power Inc. formerly known as “AWEP Onahama”) with the Chugoku Electric Power Co., Inc. (“Chugoku Electric”). AWEP Yamaguchi and AWEP Onahama were joint ventures of the two companies. These joint venture partners signed a share transfer agreement on November 28, 2022 and completed the transaction on January 18, 2023. As a result of the acquisition and transfer, AWEP Yamaguchi is now a wholly-owned subsidiary of Chugoku Electric, and AWEP Onahama is now a wholly-owned subsidiary of the Company.

The impact of this transaction on the Company's consolidated financial results for the fiscal year ending March 31, 2023 is currently under assessment.