Fiscal year 2023 Full Year

# Financial Results Explanatory Materials

Meeting society's needs with nature's blessings.

AIR WATER

May 9, 2024

**Air Water Inc.**

**FY2023 Full Year Financial Results Briefing Script**

Presenters:

Ryosuke Matsubayashi: Corporate Director, Senior Managing, COO

Aya Uesugi: Executive Officer, General Manager, Corporate Communications Office

Thursday, May 9, 2024

Introduction

## Financial Summary (FY2023 Full Year Results / FY2024 Full Year Forecast)

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AIR WATER

| (Unit: Billion yen) | FY2023 (Result) | Increase/decrease | | FY2024 (Forecast) | Increase/decrease | |
|---|---|---|---|---|---|---|
| | | Amount | YoY | | Amount | YoY |
| Revenue | ●1,024.5 | +19.6 | 102.0% | ●1,100.0 | +75.5 | 107.4% |
| Operating profit | ●68.3 | +6.1 | 109.8% | ●78.0 | +9.7 | 114.2% |
| Profit attributable to owners of parent | ●44.4 | +4.2 | 110.5% | ●50.0 | +5.6 | 112.7% |
| Operating profit ratio | 6.7% | +0.5pt | - | 7.1% | +0.4pt | – |

**FY2023 Full Year Results**

- Expansion of overseas industrial gas business, growth of beverage business, and the effect of newly consolidated fruit and vegetable wholesale business **achieved the highest results in the past.**

**FY2024 Full Year Forecast**

- **Expanding growth areas** in electronics business in line with recovery in demand for semiconductors and in overseas business (India and North America)
- **Strengthen profitability** through business restructuring, including integration and reorganization of group companies and review of unprofitable and underperforming businesses

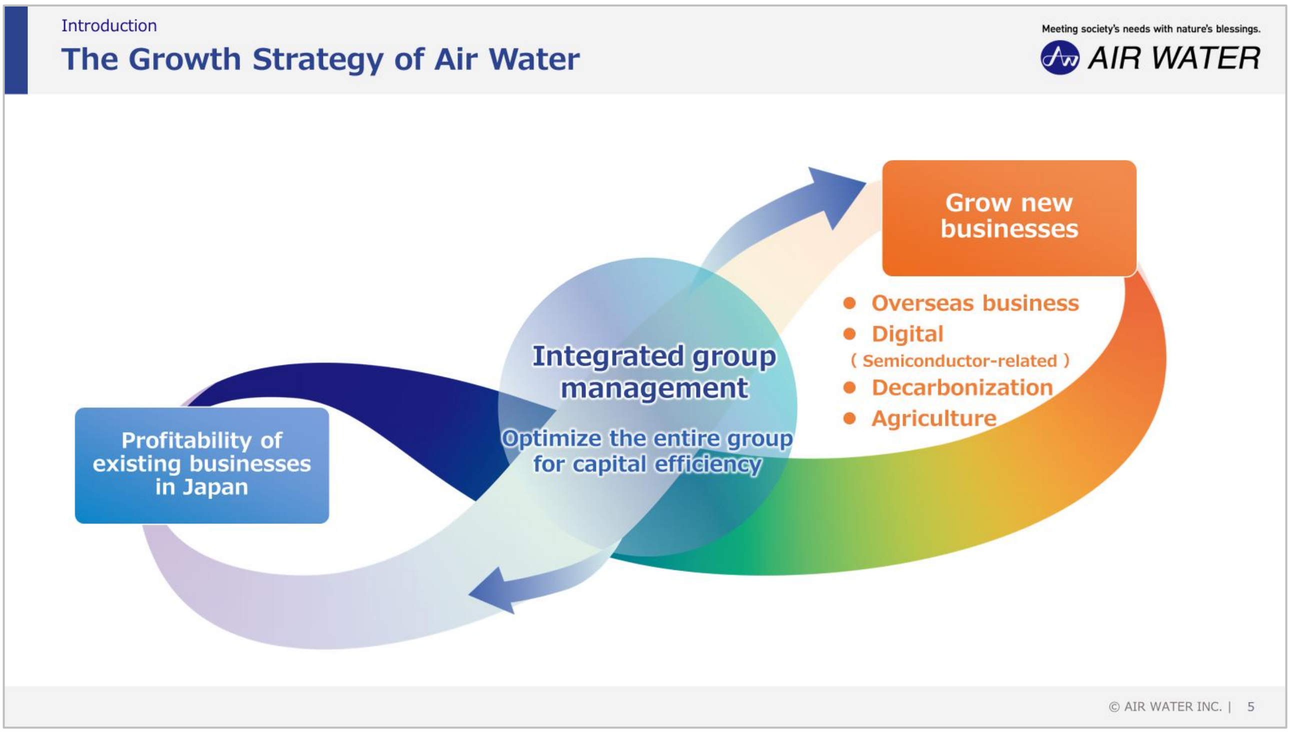


**Presenter: Ryosuke Matsubayashi: Corporate Director, Senior Managing, COO**

Thank you very much for attending this results briefing today.
I would like to begin with an overview of our financial results. Looking at the full-year results for FY2023, revenue was ¥1,024.5 billion (102.0% that of the previous year) , operating profit was ¥68.3 billion (109.8%) and profit attributable to owners of parent was ¥44.4 billion (110.5%)

The business environment was difficult, affected by stagnant semiconductor market conditions and rising costs, including foreign exchange fluctuations. However, we achieved its best ever business performance. This was a result of progress in price revisions for various products, particularly industrial gas and industrial salt, mitigation of the cost impact of the wood biomass power generation business, expansion of the overseas industrial gas business as well as the beverage business, and the effects of the newly consolidated fruit and vegetable wholesale business.

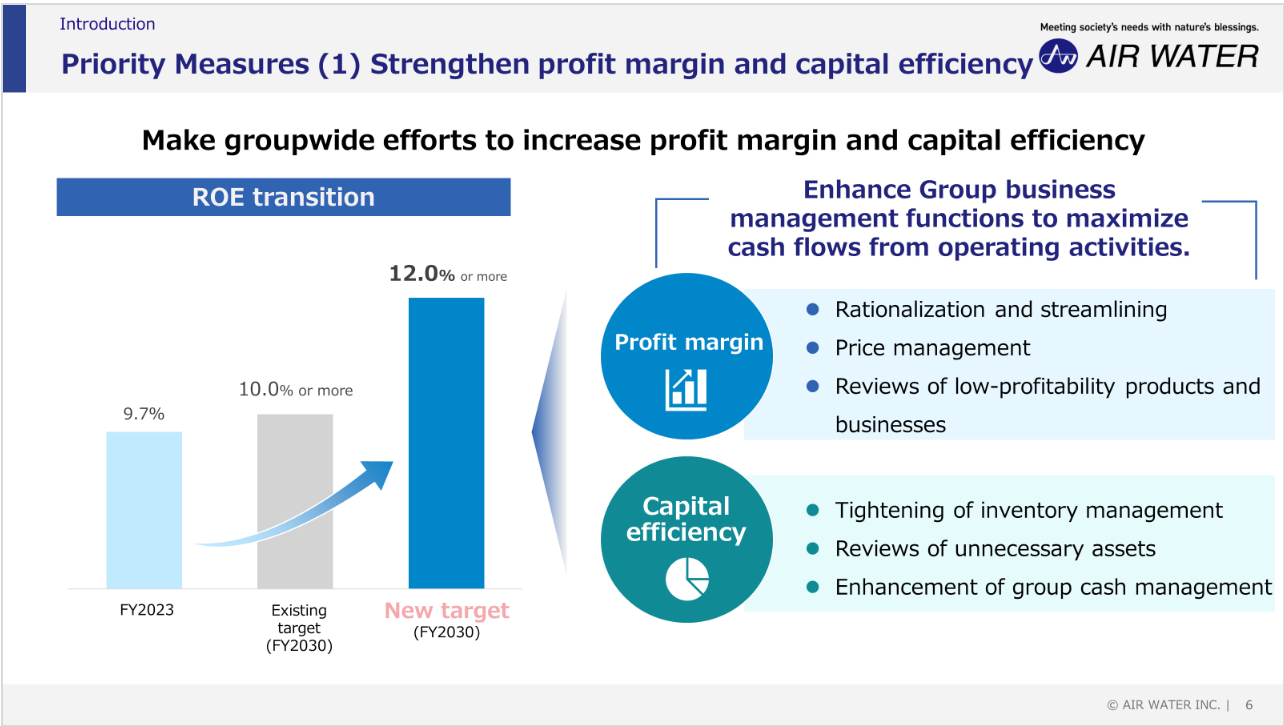
For FY2024, we plan to increase both sales and profit.
We will promote growth investments in areas that we consider growth areas, such as the electronics business and the overseas industrial gas business, where demand for semiconductors is expected to recover. In addition, we will promote business restructuring, including reorganization and integration of group companies and review of underperforming businesses, to strengthen profitability.




I would like to reiterate the Group's growth strategy.
Given the social structure of Japan, including the declining birthrate and aging population, we believe that it is unlikely that the market environment surrounding existing businesses in Japan will expand significantly in the future.

Under these circumstances, we will strengthen the profitability of existing domestic businesses, mainly industrial gas, to provide a foundation for stable cash flow. In addition, we are expanding our business overseas, where market growth is expected, and investing in growth in Japan related to demand for electronics, especially semiconductors for generative AI.
We are also focused on creating new businesses through solutions to social issues such as carbon neutrality and future food shortages.

In addition, the core companies of the Group will work together to promote "integrated group management" to optimize management resources such as people, products, capital, and technology. And we are working to improve and enhance capital efficiency.

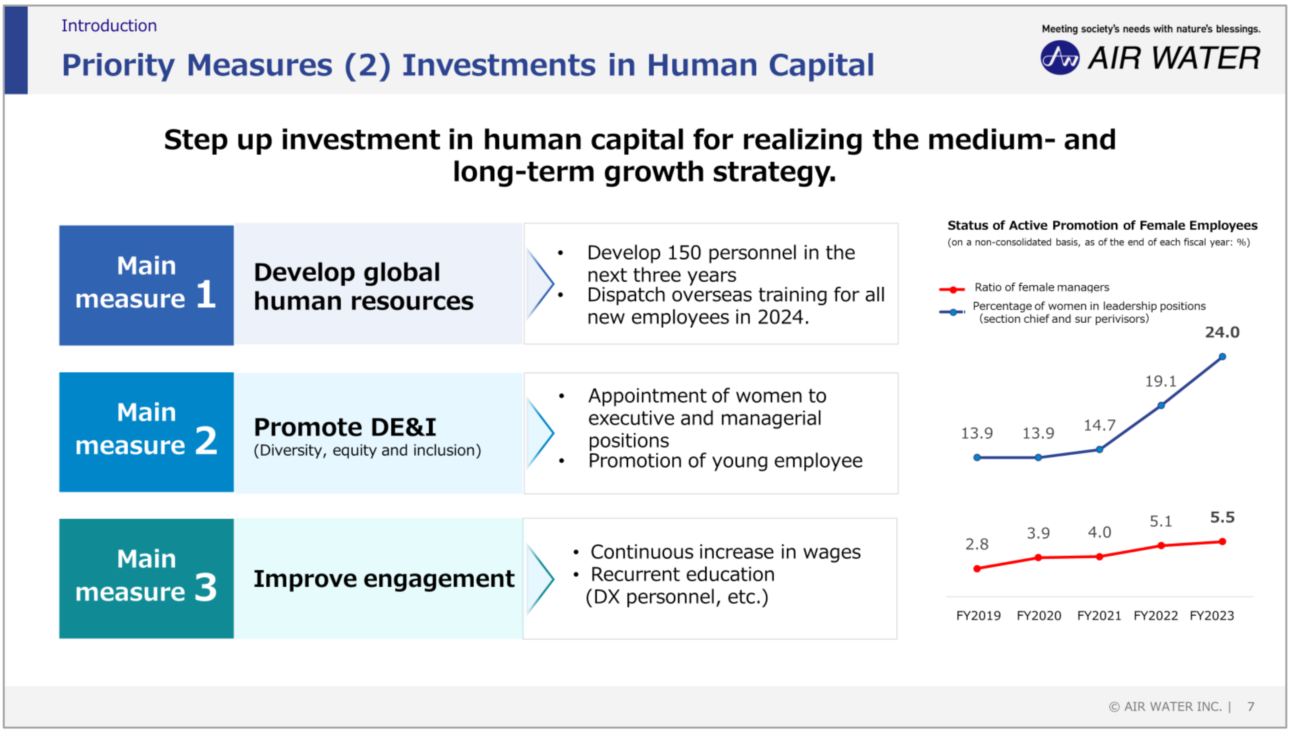



Since 2010, we have achieved our goal of ¥1 trillion in revenue, and since FY2023, management has shifted to full-scale efforts to improve profitability.

Last year, we revised our medium- to long-term ROE target upward from 10% to 12%, and in addition to improving profitability, we are strengthening our efforts to enhance balance sheet control.

Specifically, we will work to streamline and improve the efficiency of our business operations through the use of DX and labor-saving technologies, as well as to increase the added value of our products and services and adjust prices to a level commensurate with their value.
In addition, we will pursue initiatives such as a review of underperforming businesses.
We will also work to improve capital efficiency through inventory reductions and other measures to increase operating cash flow.

To achieve these goals, we intend to strengthen the Group's business management system, centered on our 20 core operating companies in Japan.




In an environment where labor shortages are becoming more serious, we need to become a more attractive corporate group entity that is also chosen by employees in order to realize our future medium- and long-term growth strategies.

For this reason, we will continuously focus on human capital investment.

As a key measure, we have set overseas as the center of our future growth investment and are strengthening the development of global human resources who will be responsible for promoting the business.

Starting this year, we will also begin an overseas training program for new employees.

In addition, as a diversity, equity & inclusion measure, we are promoting the appointment of young employees, female managers, and female corporate officers.

As a way to strengthen employee engagement, and for the second consecutive fiscal year, we have raised wages, and are focusing on DX and recurrent education related to new businesses.


Next, I will explain the three businesses we are focusing on as growth areas.

First is our overseas expansion. In our overseas operations, we are focusing on three businesses that we believe can grow and become highly profitable as the market expands and that can generate new demand through synergies with existing businesses, aiming to make them new growth engines.

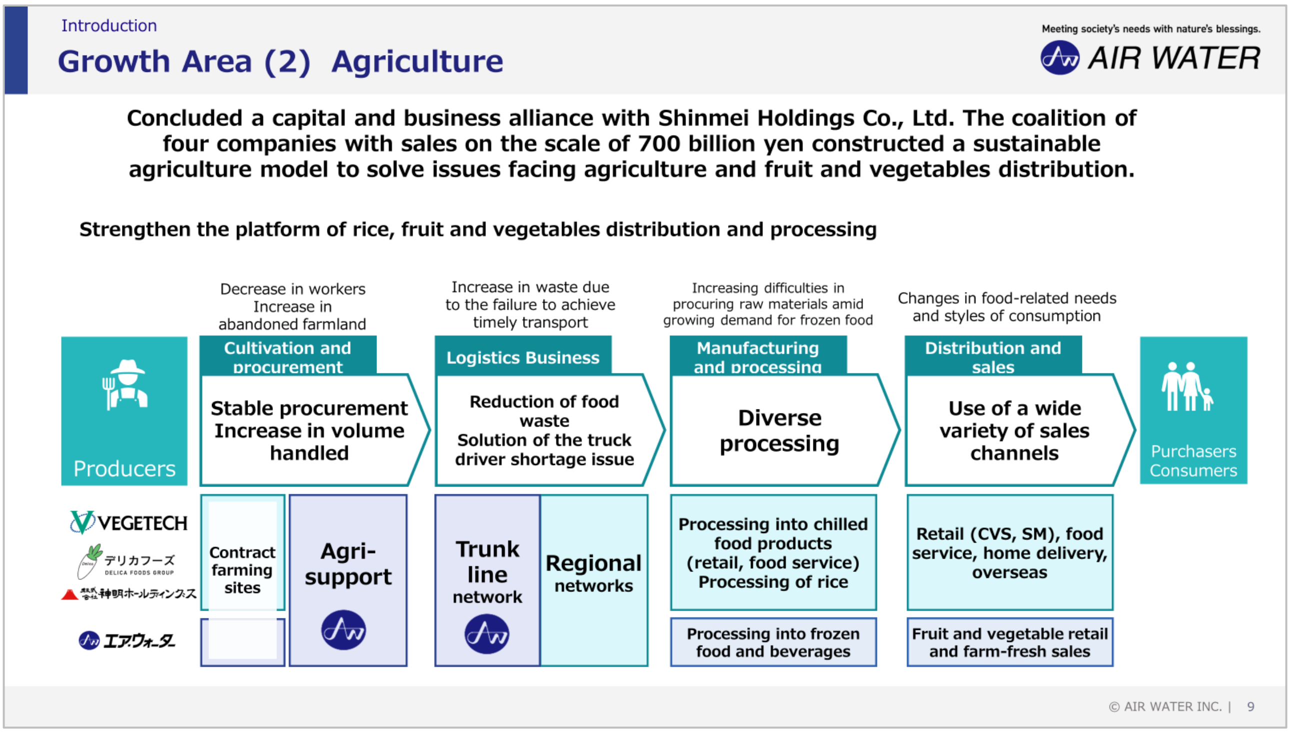
First of these is the industrial gas business in India. In India, which has a broad industrial base and a population of over 1.4 billion people, we are aiming for dramatic growth by acquiring the on-site gas supply for steel mills while following a base strategy of expanding area-wide industrial gas production and supply infrastructure in response to strong industrial gas demand driven by domestic demand. In September last year, we received an order for the on-site gas supply to the Durgapur Steel Plant operated by SAIL, a state-run steelmaker in India. As a result, we have been awarded on-site supply projects from three of the four major blast furnace manufacturers in India. We are still working on securing even more new projects.

The second is the industrial gas and related equipment business in North America. The North American industrial gas market is the largest in the world, about five times the size of the Japanese market (about ¥3 trillion). The business is based on a U.S. version of the "VSU strategy," in which the company acquires gas sales functions in each area through M&A actions targeting gas distributors while establishing its own gas production facilities in the vicinity. In addition, American Gas Products, which supplies the increasingly scarce commodity of helium, has been made a Group subsidiary, with a view to supplying helium to the semiconductor industry in the future.

Furthermore, in North America, initiatives related to carbon neutrality are rapidly developing, especially in California. We possess a full lineup of handling technologies for hydrogen production, storage, and transportation, as well as carbon dioxide recovery and liquefaction technologies. Based on these technologies, we are working to establish a hydrogen value chain in the U.S., and will take on the challenge of the gas and equipment market related to hydrogen and decarbonization.

The third is the high-output uninterruptible power supply (UPS) business. With a focus on rotary uninterruptible power supplies, we provide backup power solutions essential for BCP in data centers and semiconductor plants. The Company entered this business with the acquisitions of Power Partners in Singapore and Hitec in the Netherlands, which were made Group subsidiaries in 2018 and 2019 respectively. We intend to accelerate growth by differentiating ourselves from competing battery products through our technological strengths and by acquiring new customers on the back of growing demand.

Our goal is to increase sales in these three businesses to ¥250 billion in fiscal 2030.




Next is the agriculture and food sector. On March 22, we formed a capital and business alliance with Shinmei Holdings Co., Ltd., which is Japan's largest rice wholesaler.

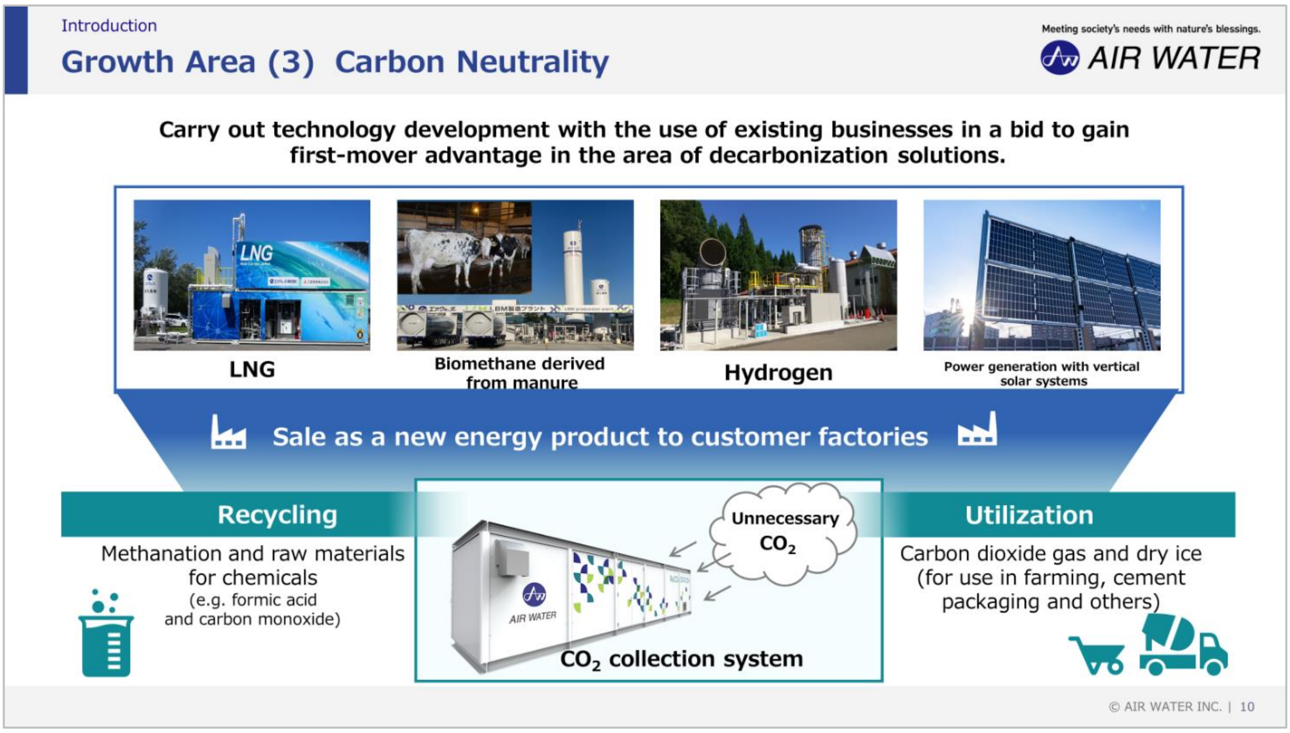
The total volume of agricultural products handled by Air Water and the three companies with whom we collaborate, including our existing collaborations with Vegetech, a trading company specializing in fruits and vegetables and Delica Foods Holdings, a commercial-use vegetable distributor, and the new addition of Shinmei HD, will amount to approximately 1.4 million tons annually. Sales will total ¥700 billion, making it one of the largest federations in Japan.

The flow diagram on the slide above is an illustration of the rice, fruit and vegetable distribution and processing platform."

The areas highlighted in blue are areas where the Group can leverage its unique technologies and infrastructure to our advantage.

For example, in terms of cultivation and procurement, we will expand our agri-support business nationwide, providing harvesting and other services on behalf of our customers. We will scale up 810 ha in FY2023 to 4,000 ha in FY2030, covering the production areas contracted by each company.

In terms of logistics, we will utilize our logistics network for trunk line transportation from production areas to consumption areas, and our low-temperature and freshness preservation technologies will help reduce food loss.




In line with the GX (Green Transformation) strategy promoted by the Japanese government, the Air Water Group is aiming for early social implementation while planting seeds through technology development. We intend to make maximum use of our industrial gas and energy business infrastructure and technologies, and target leading environmentally conscious companies to start using low-carbon energy.

Here is a brief overview of our most recent decarbonization-related initiatives.

The Ministry of the Environment's demonstration project to establish a supply chain for biomethane derived from cow manure, which is being undertaken in the Tokachi region of Hokkaido, will be completed at the end of FY2023, and commercial production will begin this fiscal year. First, sales will begin in May to local dairy manufacturers. Going forward, we will work to build a stable supply system, increase volume, and create a market.

With regard to hydrogen supply, we established a new hydrogen production facility in Nagoya in April of this year. This approach takes into account not only the increasing demand from the industrial sector, but also the expected future increase in demand for hydrogen energy. The company is also developing and verifying technologies to produce "CO2-free hydrogen," and today held a groundbreaking ceremony for a demonstration plant in the town of Toyotomi, Hokkaido.

In addition, we are actively involved in various other energy solutions, including the promotion of fuel conversion from heavy oil to LNG, the manufacture and sale of associated supply equipment (especially for ships and commercial vehicles), and the sale of vertical solar power generation systems. With regard to CO2 emitted during energy use, we will develop decarbonization solutions centered on CO2 capture technologies to recycle the CO2 as methanation and chemical raw materials, or to utilize it as carbon dioxide gas and dry ice. AW Green Design, a company established by integrating the carbon dioxide and hydrogen businesses, will take the lead in building a decarbonized business model.

FY2023 Full Year Results

## Consolidated income statement

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(Unit: Billion yen)

| | FY2022 | FY2023 | Increase/decrease | |
|---|---|---|---|---|
| | | | Amount | YoY |
| **Revenue** | 1,004.9 | **1,024.5** | +19.6 | 102.0% |
| Cost of sales | ▲804.8 | **▲804.3** | +0.6 | |
| **Gross profit** | 200.1 | **220.3** | +20.2 | 110.1% |
| Selling, general and administrative expenses | ▲150.4 | **▲158.4** | ▲8.0 | |
| Other operating income and expenses | 10.0 | **4.4** | ▲5.6 | |
| Share of profit of investments accounted for using the equity method | 2.5 | **2.1** | ▲0.4 | |
| **Operating profit** | 62.2 | **68.3** | +6.1 | 109.8% |
| Finance income and costs | ▲1.2 | **▲1.6** | ▲0.4 | |
| **Profit before income taxes** | 61.0 | **66.7** | +5.7 | 109.4% |
| Income taxes | ▲18.0 | **▲20.6** | ▲2.5 | |
| Loss from discontinued operations | ▲0.3 | **▲0.0** | +0.3 | |
| **Profit** | 42.6 | **46.1** | +3.5 | 108.2% |
| Owners of parent | 40.1 | **44.4** | +4.2 | 110.5% |
| Non-controlling interests | 2.5 | **1.8** | ▲0.7 | |

| | | |
|---|---|---|
| Operating profit margin | 6.2% | **6.7%** |
| ROE *1 | 9.7% | **9.7%** |
| Basic net earnings per share for the quarter *2 | 176.84yen | **194.69yen** |

*1 "Profit for the period attributable to owners of the parent" ÷"Equity attributable to owners of the parent" (The average between the beginning and the end of the period)

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



**Presenter:**

**Aya Uesugi: Executive Officer, General Manager, Corporate Communications Office**

Aya Uesugi from Corporate Communications Office will continue with the briefing including segment details.

As explained earlier by President Matsubayashi, overall revenue increased by ¥19.6 billion and operating profit increased by ¥6.1 billion.

The operating profit margin increased 0.5 percentage points from 6.2% in the previous year to 6.7%, and ROE remained at the same level as the previous year, at 9.7%.

FY2023 Full Year Results

## Revenue by segment

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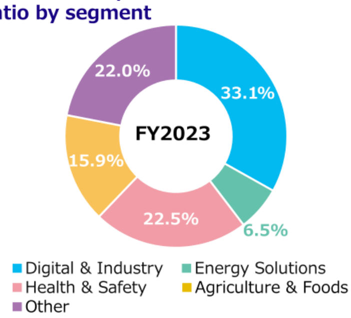
(Unit: Billion yen)

| Group | FY2022 | FY2023 | Increase/decrease | |
|---|---|---|---|---|
| | | | Amount | YoY |
| Digital & Industry | 338.0 | **339.4** | +1.4 | 100.4% |
| Energy Solutions | 69.2 | **66.6** | ▲2.6 | 96.2% |
| Health & Safety | 236.0 | **230.9** | ▲5.1 | 97.8% |
| Agriculture & Foods | 152.8 | **162.6** | +9.8 | 106.4% |
| Other | 208.9 | **225.1** | +16.2 | 107.8% |
| Total | 1,004.9 | **1,024.5** | +19.6 | 102.0% |

**Revenue composition ratio by segment**




*From the first quarter of the current fiscal year, the engineering business in Japan and the overseas and engineering business (including the industrial gases business in India), which was previously included in Digital and Industry, are in other business. Similarly, the industrial gas business and the hydrogen business, which were previously included in Energy solutions, are now a part of Digital & Industry. Accordingly, figures for the same period of the previous fiscal year reflect the segment classification after the change.




FY2023 Full Year Results

## Operating profit by segment

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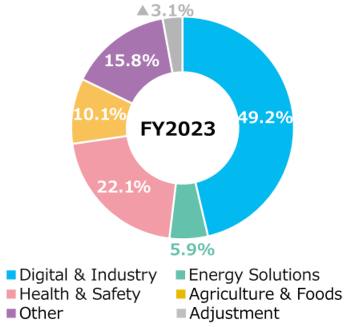
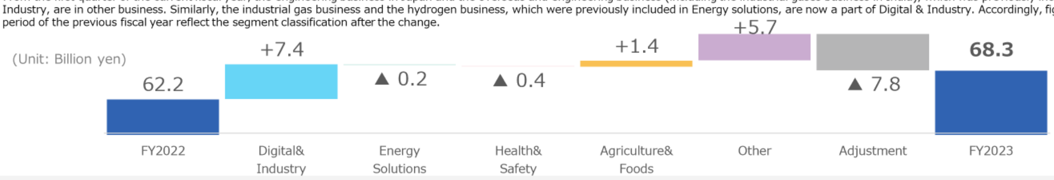
(Unit: Billion yen)

| Group | FY2022 | FY2023 | Increase/decrease | |
|---|---|---|---|---|
| | | | Amount | YoY |
| Digital & Industry | 26.1 | **33.6** | +7.4 | 128.5% |
| Energy Solutions | 4.3 | **4.0** | ▲0.2 | 94.9% |
| Health & Safety | 15.5 | **15.1** | ▲0.4 | 97.4% |
| Agriculture & Foods | 5.5 | **6.9** | +1.4 | 125.4% |
| Other | 5.1 | **10.8** | +5.7 | 210.3% |
| Adjustment* | 5.7 | **▲2.1** | ▲7.8 | – |
| Total | 62.2 | **68.3** | +6.1 | 109.8% |

**Operating profit composition ratio by segment**




* Adjustment: Elimination of intersegment transactions and profit or loss of the Company's Head Office divisions that are not allocated to each reporting segment.
* From the first quarter of the current fiscal year, the engineering business in Japan and the overseas and engineering business (including the industrial gases business in India), which was previously included in Digital and Industry, are in other business. Similarly, the industrial gas business and the hydrogen business, which were previously included in Energy solutions, are now a part of Digital & Industry. Accordingly, figures for the same period of the previous fiscal year reflect the segment classification after the change.






Now please turn your attention to pages 13 and 14.
By segment, Digital & Industry and Agriculture & Foods posted increases in both revenue and profit.
Both Energy Solutions and Health & Safety recorded declines in revenue and profit.
In terms of revenue composition, revenue is divided in a well-balanced way between the segments, an indicator that portfolio diversification has been achieved.

FY2023 Full Year Results

## Digital & Industry increase/decrease factors

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| (Unit: Billion yen) | FY2022 | FY2023 | Increase/ decrease | YoY |
|---|---|---|---|---|
| Revenue | 338.0 | **339.4** | +1.4 | 100.4% |
| Operating profit | 26.1 | **33.6** | +7.4 | 128.5% |
| Operating profit ratio | 7.7% | **9.9%** | +2.2pt | – |

**Main increase/decrease factors**

**Revenue +1.4 billion yen**

【+】 • Price revision of industrial gas ●
【–】 • Decrease in sales of sealants for semiconductor manufacturing equipment ◆

**Operating profit +7.4 billion yen**

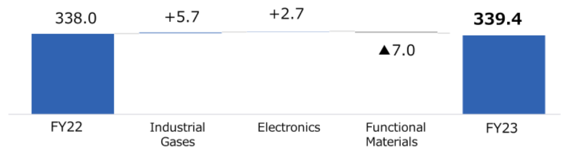
【+】 • Price revision of industrial gas ●
• Recovery of carbon dioxide sales ●
【–】 • Decrease in sales of quinone products such as naphthoquinone for agricultural chemicals and sealants for semiconductor device ◆
• Fall in sales of semiconductor-related equipment and heat control equipment for semiconductor device ★

● Industrial Gases ★ Electronics ◆ Functional Materials

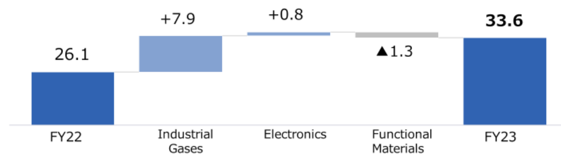
**Increase/Decrease by Unit**

(Unit: Billion yen)

**Revenue**




**Operating profit**






I will now continue with an explanation of revenue and operating profit by segment.
Please look at page 15.

These are the result for the Digital & Industry segment.
Revenue was ¥339.4 billion up ¥1.4 billion year on year, and operating profit jumped significantly to ¥33.6 billion, year-on-year increase of ¥7.4 billion.

Operating profit in the industrial gas business increased significantly given the significant effect of price revisions for industrial gas and a recovery in sales of carbon dioxide gas.
In addition, in the electronics business thermal control equipment for semiconductor manufacturing equipment saw a decrease in sales. However, on-site gas supply for major semiconductor plants remained at the same level as the previous year, while specialty chemical supply equipment and related construction work expanded with the start-up of new semiconductor plants. As a result, the impact of the decline in sales was compensated for.
The functional materials business, on the other hand, has been affected by the weak semiconductor market, leading to a contraction in sales of materials such as O-rings, a sealing material for semiconductor fabrication equipment, and precision polishing pads.
In addition, sales of naphthoquinone for agrochemicals were weak due to inventory adjustments made by customers, resulting in difficult conditions.

FY2023 Full Year Results

## Energy Solutions increase/decrease factors

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| (Unit: Billion yen) | FY2022 | FY2023 | Increase/ decrease | YoY |
|---|---|---|---|---|
| Revenue | 69.2 | **66.6** | ▲2.6 | 96.2% |
| Operating profit | 4.3 | **4.0** | ▲0.2 | 94.9% |
| Operating profit ratio | 6.2% | **6.1%** | ▲0.1pt | – |

**Main increase/decrease factors**

**Revenue ▲2.6 billion yen**

【–】 • Decline in LP gas sales prices due to market conditions ●

**Operating profit ▲0.2 billion yen**

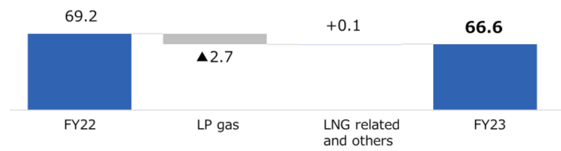
【–】 • Impacts of market price fluctuations on LP gas inventory valuation ●

● LP gas ◆ LNG related and others

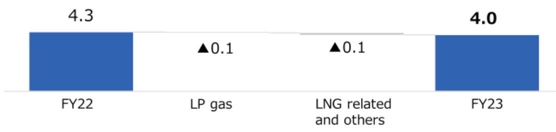
### Increase/Decrease by Unit

(Unit: Billion yen)

**Revenue**




**Operating profit**






These are the results for the Energy Solutions segment.

Revenue was ¥66.6 billion, down ¥2.6 billion year on year, and operating profit fell ¥200 million year on year to ¥4 billion.

The sales volume of industrial LP gas increased because of fuel conversion carried out amid the growing demand for low-carbon and decarbonized products. However, mainly in the first quarter, unit selling price for LP gas dropped in tandem with CP prices, which are the market price causing revenue to decrease. Profit was also affected by inventory write-downs.

Although CP prices began to rise in the third quarter, this was not enough to offset the impact of the inventory valuation.

FY2023 Full Year Results

## Health & Safety increase/decrease factors

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| (Unit: Billion yen) | FY2022 | FY2023 | Increase/decrease | YoY |
|---|---|---|---|---|
| Revenue | 236.0 | **230.9** | ▲5.1 | 97.8% |
| Operating profit | 15.5 | **15.1** | ▲0.4 | 97.4% |
| Operating profit ratio | 6.6% | **6.5%** | ▲0.0pt | – |

**Main increase/decrease factors**

**Revenue ▲5.1 billion yen**

【−】
- Shrinkage of COVID-19-related demand (for domiciliary oxygen concentrators, hygiene materials, other infection control products and vaccine needle) ● ■
- Decrease in contract for supply processing and distribution (SPD) services in medical services ◆

【+】
- Increase in construction for data centers ★

**Operating profit ▲0.4 billion yen**

【−】
- Shrinkage of COVID-19-related demand (for domiciliary oxygen concentrators, hygiene materials, other infection control products and vaccine needle) ● ■
- Decrease in contract for supply processing and distribution (SPD) services in medical services ◆

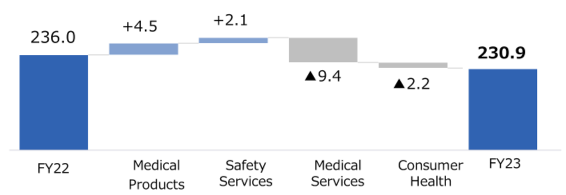
【+】
- Rise in sales of respirators ★

● Medical Products ★ Safety Services ◆ Medical Services ■ Consumer Health

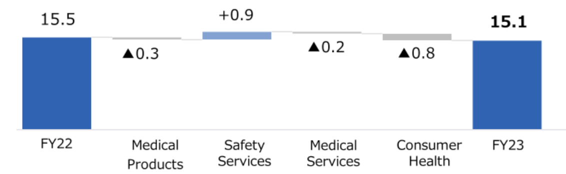
### Increase/Decrease by Unit

(Unit: Billion yen)

**Revenue**




**Operating profit**






In the Health & Safety segment, revenue declined ¥5.1 billion year on year to ¥230.9 billion, and operating profit fell ¥400 million to ¥15.1 billion.

The medical products business made good progress in its efforts to revise medical gas prices. Meanwhile, the number of patients undergoing nitric oxide respiratory therapy also increased steadily. However, profits were affected by the termination of contracts for the leasing of oxygen concentrators to local governments following the reclassification of COVID-19 as a class 5 infectious disease.

The safety services business was affected by increases in the prices of construction materials such as plumbing piping and personnel expenses. The business, however, remained firm thanks to increased sales from the renovation of hospitals and the construction of gas-based fire extinguishing systems for data centers. In addition, sales from the construction of hospital facilities in Singapore were trending toward a recovery.

The medical service business made efforts to secure new contracted hospitals, mainly in the SPD (supply, processing, and distribution for hospitals) business, but the business was affected by the cost of setting up new operations and the termination of a contracts with some large hospitals.

In the consumer health business, in the aerosol field the contract manufacturing of cosmetics expanded. However, demand related to the COVID-19 pandemic declined in the hygiene material and injection needle fields.

FY2023 Full Year Results

## Agriculture & Foods increase/decrease factors

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(Unit: Billion yen)

| | FY2022 | FY2023 | Increase/ decrease | YoY |
|---|---|---|---|---|
| Revenue | 152.8 | **162.6** | +9.8 | 106.4% |
| Operating profit | 5.5 | **6.9** | +1.4 | 125.4% |
| Operating profit ratio | 3.6% | **4.3%** | +0.6pt | – |

**Main increase/decrease factors**

**Revenue +9.8 billion yen**

【+】
- Increase in consignment of fruit-based beverages, etc. ★
- Increase in sales of agricultural produce in the farm-fresh produce delivery business ◆
- Increase in sales of fruit and vegetable retail ◆
- Effect of new consolidation of Marushin Seika co., Ltd ◆

**Operating profit +1.4 billion yen**

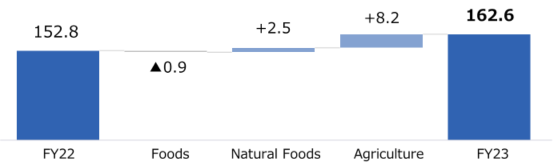
【+】
- Increase in consignment of fruit-based beverages, etc. ★
- Rise in costs of raw materials including pork and eggs ◆
- Effect of new consolidation of Marushin Seika co., Ltd ◆

● Foods ★Natural Foods ◆ Agriculture

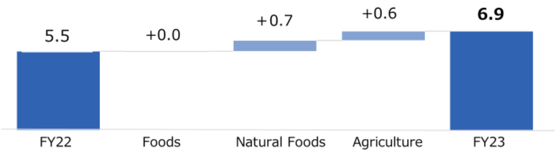
**Increase/Decrease by Unit**

(Unit: Billion yen)

**Revenue**




**Operating profit**






In the Agriculture & Foods segment, revenue rose ¥9.8 billion to ¥162.6 billion, and operating profit increasing ¥1.4 billion to ¥6.9 billion.

In the foods business, the ham and delicatessen segment made progress in the new adoption of prepared food and other products for major convenience stores. However, some products were affected by reluctance to buy and were at the same level as the previous year.

The natural food business that conducts the contract manufacturing of beverages remained strong thanks to growth of contract manufacturing of paper-pack products such as vegetable and fruit beverages, and plastic bottle beverages for major accounts. A decrease in the energy costs incurred at plants also contributed to the positive results.

The agriculture business performed well in the vegetable and fruit retail sector, thanks to a nationwide recovery in customer traffic and the effect of opening new direct-sale stores for farm products. In addition, Marushin Seika, a middle trader of vegetables and fruits in Fukuoka Prefecture, was newly consolidated from the third quarter. This also contributed to the results.

FY2023 Full Year Results

## Other increase/decrease factors

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(Unit: Billion yen)

| | FY2022 | FY2023 | Increase/ decrease | YoY |
|---|---|---|---|---|
| Revenue | 208.9 | **225.1** | +16.2 | 107.8% |
| Operating profit | 5.1 | **10.8** | +5.7 | 210.3% |
| Operating profit ratio | 2.5% | **4.8%** | 2.3pt | – |

**Main increase/decrease factors**

**Revenue +16.2 billion yen**

【+】
- Steady performance in North America and high-power UPS field ◆
- Effect of new consolidation of Phoenix and AGP in North America ◆
- Kanda Biomass Power Plant began operating ★
- Price revision for commercial salt ★

【−】
- Decreased earnings due to the exclusion of the subsidiary operating the Hofu power plant from the scope of consolidation ★

**Operating profit +5.7 billion yen**

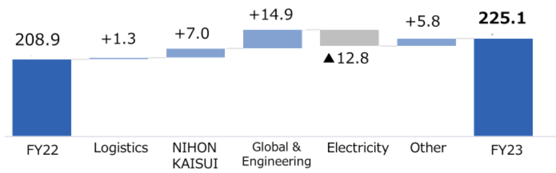
【+】
- Steady performance in high-power UPS field in North America ◆
- Effect of new consolidation of Phoenix and AGP in North America ◆
- Recovery from the cost-related impact on the electric power business ★■
- Price revision for commercial salt ★

●Logistics ★NIHON KAISUI ◆Global & Engineering ■Electricity ▼Other

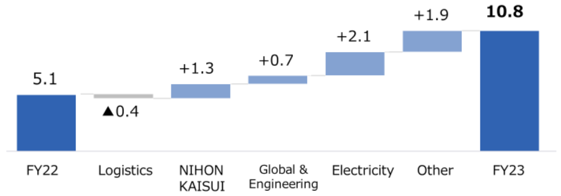
### Increase/Decrease by Unit

(Unit: Billion yen)

**Revenue**




**Operating profit**






Supplementary Material

## Major group companies / Global & Engineering revenue by segment

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(Unit: Billion yen)

| Company/Business Name | Segment | FY2022 | FY2023 | Increase/decrease Amount | Increase/decrease YoY |
|---|---|---|---|---|---|
| Air Water Materials Inc. | Digital & Industry (Electronics) | 47.8 | **49.2** | +1.3 | 102.8% |
| Air Water Performance Chemical Inc. | Digital & Industry (Functional Materials) | 34.2 | **33.5** | ▲0.7 | 97.9% |
| Tateho Chemical Industries Co., Ltd. | Digital & Industry (Functional Materials) | 9.3 | **9.2** | ▲0.1 | 99.5% |
| Kawamoto Corporation | Health & Safety (Consumer Health) | 30.4 | **29.6** | ▲0.8 | 97.5% |
| Air Water Realize Inc.*1 | Health & Safety (Consumer Health) | 24.8 | **26.2** | +1.5 | 106.0% |
| Gold Pak Co., Ltd. | Agriculture & Foods (Natural Foods) | 50.5 | **53.3** | +2.8 | 105.6% |
| Air Water Onahama Biomass Electric Power Co., Ltd. | Other (Electricity) | 12.1 | **12.4** | +0.4 | 103.0% |
| India Industrial Gas Sector field *2 | Other (Global & Engineering) | 18.6 | **20.1** | +1.5 | 108.2% |
| North America Industrial Gases field *2 | Other (Global & Engineering) | 14.8 | **28.8** | +14.0 | 194.7% |
| High-power UPS business field *2 | Other (Global & Engineering) | 24.8 | **26.7** | +2.0 | 107.9% |

*1 The name of the company was changed from Air Water Sol Inc. to Air Water Realize Inc. on April 1, 2023.
On October 1, 2023, the results for 1-3 quarter of FY2023 include the results of the former Misawa Medical Industry Co., Ltd.
*2 Simple sum of each group company.



Revenue from other business was ¥225.1 billion, up ¥16.2 billion year on year, and operating profit increased sharply by ¥5.7 billion to ¥10.8 billion.

The logistics business saw a decline in the volume of infectious medical waste handled, which had been strong in the previous year. In addition, there was a cost impact until the newly constructed cold storage distribution center became fully operational.

The performance of Nihonkaisui Co., Ltd. contributed to the results following a price revision for salt for industrial use and magnesium hydroxide, actions pursued since the previous fiscal year in response to an increase in coal prices. In addition, Nihonkaisui's electric power business benefited from a decrease in the cost of marine transportation of power generation fuel used at the Ako Biomass Power Plant, and the new Kanda Biomass Power Plant started operation in Fukuoka Prefecture in August 2023, resulting in steady growth.

The global & engineering business reported an increase of ¥14.9 billion in revenue and an increase of ¥0.7 billion in profit.
Please refer to the bottom of page 41 of the material for the revenue of each business field within this business.

In the industrial gas sector in India, demand for both on-site gas supply services for steel manufacturers and off-site gas supply services using tanker trucks and cylinders remained brisk, and the business's performance remained strong.

In the industrial gas business in North America, sales of liquefied hydrogen tanks, carbon dioxide-related equipment and industrial gas sales in the states of New York and Arizona remained steady.
In addition, the results of American Gas Products, a helium supply business acquired through M&A activities, were incorporated for the six months following its consolidation.

The power supply system (UPS) sector remained strong thanks to progress in the resolution of delays in customers' investment plans and construction delays, among other factors, as well as orders for new projects for large data centers mainly in Southeast Asia.
We return now to page 19.

Here we see the electric power business.
The decrease in revenue was due to the decline in earnings resulting from the exclusion of the subsidiary operating the Hofu power plant from the scope of consolidation in the previous fiscal year.
Operating profit improved markedly thanks to the continued stable operation of the Onahama Power Plant, lower marine transportation costs for PKS and wood chips, which are fuel for power generation, and progress in steps being taken to reduce demurrage at port unloading facilities.

This concludes our explanation of the key points in the performance of each segment.

FY2023 Full Year Results

## Consolidated statement of financial position

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(Unit: Billion yen)

| | End of March 2023 | End of March 2024 | Increase/decrease Amount | Increase/decrease YoY |
|---|---|---|---|---|
| Current assets | 431.1 | **449.4** | +18.2 | 104.2% |
| Non-current assets | 660.5 | **773.3** | +112.8 | 117.1% |
| Total assets | 1,091.6 | **1,222.7** | +131.1 | 112.0% |
| Current liabilities | 299.7 | **317.5** | +17.8 | 105.9% |
| Non-current liabilities | 345.5 | **396.7** | +51.3 | 114.8% |
| Total liabilities | 645.2 | **714.2** | +69.0 | 110.7% |
| Total equity | 446.5 | **508.5** | +62.0 | 113.9% |
| Total liabilities and equity | 1,091.6 | **1,222.7** | +131.1 | 112.0% |

| | End of March 2023 | End of March 2024 |
|---|---|---|
| Equity attributable to owners of the parent | 430.2 | **488.6** |
| Interest-bearing liabilities | 390.2 | **443.3** |
| Equity ratio attributable to owners of the parent | 39.4% | **40.0%** |
| Net D/E ratio * | 0.75times | **0.77times** |

*"Net interest-bearing liabilities" ÷"Equity attributable to owners of the parent"



Total assets increased ¥131.1 billion to ¥1,222.7 billion.
The increase was due to the acquisition of fixed assets and the new consolidation of Nihonkaisui TTS Kanda Power, which operates a wood biomass power generation business in Fukuoka Prefecture, and American Gas Products, which operates a helium business in North America.
Liabilities increased by ¥51.3 billion, mainly due to an increase in corporate bond issuance and long-term debt.
As a result, the equity ratio attributable to owners of the parent was 40% and the net D/E ratio was 0.77 times.

FY2023 Full Year Results

## Cash flow status

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| (Unit: Billion yen) | FY2022 | **FY2023** | Increase/ decrease |
|---|---|---|---|
| Operating cash flows [(1)] | 57.0 | **79.6** | +22.7 |
| Investment cash flows [(2)] | ▲71.1 | **▲98.0** | ▲26.8 |
| Financial cash flows [(3)] | 19.3 | **14.7** | ▲4.5 |
| Total cash flows [(1)+(2)+(3)] | 5.1 | **▲3.6** | ▲8.7 |
| Cash and cash equivalents at the end of the period | 65.9 | **65.0** | ▲1.0 |
| Free cash flows [(1)+(2)] | ▲14.2 | **▲18.3** | ▲4.2 |



Now look at the next page. This shows the status of cash flows.
Operating cash flow was ¥79.6 billion, far surpassing the previous year.
Investment cash flow was negative ¥98.0 billion, mainly due to capital expenditures, and as a result, free cash flow was negative ¥18.3 billion, indicating that the investment phase is continuing.

Fiscal Year 2024 Full-Year Financial Results forecast

# Capital investment plan

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## Capital investment plan by segments

| (Unit : Billion yen) | FY2023 (Result) | **FY2024 (forecast)** | Increase/ decrease |
|---|---|---|---|
| Digital & Industry | 34.8 | **35.7** | +0.9 |
| Energy Solutions | 3.5 | **4.5** | +1.0 |
| Health & Safety | 7.3 | **7.7** | +0.3 |
| Agriculture & Foods | 4.5 | **8.7** | +4.2 |
| Other | 23.1 | **37.4** | +14.4 |
| Total | 73.3 | **94.0** | +20.7 |

**Major capital investments in FY2024**

- (Digital & Industry) On-site plant for electronics
- (Energy Solutions) Development facility for resource circulation model by local production for local consumption energy
- (Agriculture & Foods) Expanded paper container filling line of Gold-Pak Co., Ltd.
- (Global & Engineering) Industrial gas manufacturing base in India and North America



Capital expenditures totaled ¥73.3 billion.
Major capital investments included an on-site gas supply plant for electronics, an industrial gas production site in India, and the Kanda biomass power plant.

Fiscal Year 2024 Full-Year Financial Results forecast

## Fiscal year 2024 full-year financial results forecast

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| | FY2023 (Result) | **FY2024 (Forecast)** | Increase/decrease | | FY2024 1-2Q (Forecast) |
|---|---|---|---|---|---|
| | | | Amount | YoY | |
| Revenue | 1,024.5 | **1,100.0** | +75.5 | 107.4% | 510.0 |
| Operating profit | 68.3 | **78.0** | +9.7 | 114.2% | 33.0 |
| Profit before income taxes | 66.7 | **76.0** | +9.3 | 113.9% | 32.0 |
| Profit attributable to owners of the parent | 44.4 | **50.0** | +5.6 | 112.7% | 21.0 |

| | | |
|---|---|---|
| Operating profit margin | 6.7% | **7.1%** |
| Basic earnings per share | 194.69yen | **219.08yen** |
| Annual dividend | 64.00yen | **64.00yen** |
| Capital investment | 73.3 | **94.0** |

* Exchange rate in FY24: 140 yen in the first half, 135 yen in the second half.



Next we will go over our full-year financial results forecast for fiscal year 2024.
As explained by President Matsubayashi at the beginning of the presentation, we are forecasting revenue of ¥1.1 trillion and operating profit of ¥78 billion for the full fiscal year 2024.
We plan to increase both revenue and profit.
In terms of our perception of the business environment, on the demand side, we believe that the semiconductor market will begin to recover in the second half of the fiscal year, and that personal consumption will continue to recover moderately, partly due to an increase in post-COVID inbound travel.
On the cost front, however, we expect the overall situation to remain uncertain due to the continued price impact of raw materials and other materials because of deteriorating overseas conditions and sharp exchange rate fluctuations, as well as rising logistics and labor costs against the backdrop of the so-called "year 2024 problem" and labor shortages.

Fiscal Year 2024 Full-Year Financial Results forecast

## Full-year forecast by segment

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| (Unit: Billion yen) | | FY2023 (Result) | **FY2024 (Forecast)** | Increase/decrease | |
|---|---|---|---|---|---|
| | | | | Amount | YoY |
| **Digital & Industry** | Revenue | 339.4 | **360.0** | +20.6 | 106.1% |
| | Operating profit | 33.6 | **38.0** | +4.4 | 113.2% |
| **Energy Solutions** | Revenue | 66.6 | **70.0** | +3.4 | 105.1% |
| | Operating profit | 4.0 | **4.5** | +0.5 | 111.3% |
| **Health & Safety** | Revenue | 230.9 | **245.0** | +14.1 | 106.1% |
| | Operating profit | 15.1 | **17.0** | +1.9 | 112.7% |
| **Agriculture & Foods** | Revenue | 162.6 | **180.0** | +17.4 | 110.7% |
| | Operating profit | 6.9 | **8.0** | +1.1 | 115.7% |
| **Other (Logistics/NIHON KAISUI/Global & Engineering/ Electricity/Other)** | Revenue | 225.1 | **245.0** | +19.9 | 108.9% |
| | Operating profit | 10.8 | **13.3** | +2.5 | 123.1% |
| (Adjustment) | Operating profit | ▲2.1 | **▲2.8** | ▲0.7 | − |
| Total | Revenue | 1,024.5 | **1,100.0** | +75.5 | 107.4% |
| | Operating profit | 68.3 | **78.0** | +9.7 | 114.2% |



These are our full-year forecasts by segment.
In Japan, we will see growth in the Digital & Industry segment, where business in the semiconductor-related market is recovering, and in the Health & Safety segment, which is seeing an expansion in the safety services business for data centers as well as cosmetics. Overseas, the Other segment will drive expanded business performance, particularly through the Indian and North American industrial gas businesses experiencing strong demand.
Turning to profit, we aim to further improve profitability through continued company-wide cost reductions and price management, including a review of underperforming projects, in conjunction with business expansion.

Fiscal Year 2024 Full-Year Financial Results forecast

# Capital investment plan

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## Capital investment plan by segments

| (Unit : Billion yen) | FY2023 (Result) | **FY2024 (forecast)** | Increase/ decrease |
|---|---|---|---|
| Digital & Industry | 34.8 | **35.7** | +0.9 |
| Energy Solutions | 3.5 | **4.5** | +1.0 |
| Health & Safety | 7.3 | **7.7** | +0.3 |
| Agriculture & Foods | 4.5 | **8.7** | +4.2 |
| Other | 23.1 | **37.4** | +14.4 |
| Total | 73.3 | **94.0** | +20.7 |

**Major capital investments in FY2024**

- (Digital & Industry) On-site plant for electronics
- (Energy Solutions) Development facility for resource circulation model by local production for local consumption energy
- (Agriculture & Foods) Expanded paper container filling line of Gold-Pak Co., Ltd.
- (Global & Engineering) Industrial gas manufacturing base in India and North America



This page shows our capital investment plan.
For fiscal year 2024 we plan to make ¥94 billion in capital investments.
We will continue to invest in the electronics field, including on-site plants for semiconductors in Japan, and in the industrial gas businesses in India and North America, which will drive growth. We will also invest in the development of new businesses in the Energy Solutions segment.

## Year-end dividend forecast

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### Basic dividend policy

**We make it a policy to maintain a stable dividend in line with business results in the future aiming at a dividend payout ratio of 30%.**

| (Unit : yen) | FY2022 (Result) | FY2023 (Result) | FY2024 (Forecast) |
|---|---|---|---|
| Dividend payout ratio | 33.9% | **32.9%** | **29.2%** |
| Basic net earnings per share *1 | 176.84 | **194.69** | **219.08** |
| Interim dividend | 28.00 | **30.00** | **32.00** |
| Year-end dividend | 32.00 *2 | **34.00** | **32.00** |
| Annual dividend | 60.00 | **64.00** | **64.00** |

*1 Basic net earnings per share for the period are calculated based on the average number of issued shares during the year.

*2 The year-end dividend for FY2022 is presented including a commemorative dividend of 4 yen for "Achievement of 1 trillion yen in sales revenue.



Next is our dividend policy.
The year-end dividend for FY2023 is ¥34 per share, which together with the interim dividend will bring the total annual dividend to ¥64 per share.
The dividend forecast for FY2024 is ¥64 per share, the same as FY2023.

This concludes our summary of the full-year financial results.