February 10, 2022

Consolidated Financial Results (Under IFRS)
For the Third Quarter of the March 31, 2022 Fiscal Year

AIR WATER INC.
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(Note: All amounts are rounded down to the nearest million yen.)

1. Results for the Nine Months Ended December 31, 2021

(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, 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
Nine months ended December 31, 2020	586,418	-1.0	36,259	-6.6	35,240	-8.3	23,204	-12.7	21,217	-9.0	27,814	-10.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	142.18	142.02
Nine months ended December 31, 2020	93.54	93.43

(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, 2021	1,001,245	404,109	381,586	38.1
As of March 31, 2021	926,821	372,389	357,797	38.6

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, 2021	—	22.00	—	22.00	44.00
The fiscal year ending March 31, 2022	—	27.00	—		
The fiscal year ending March 31, 2022 (Forecasts)				27.00	54.00

(Note) Changes in forecast of dividends for the fiscal year ending March 31, 2022 from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2022

(% 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	890,000	10.3	65,000	26.9	64,000	28.9	43,000	57.1	190.13

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2022 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, 2021: 229,755,057 shares

As of March 31, 2021: 229,755,057 shares

b. Number of shares of treasury shares

As of December 31, 2021: 3,356,520 shares

As of March 31, 2021: 3,995,259 shares

c. Average number of shares during the term

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

First Nine months of the fiscal year ended March 31, 2021: 226,831,117 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 under review, the Japanese economy saw steady production activity and capital expenditure in the manufacturing industry, despite slow growth in personal spending, as it was buffeted by waves of the novel coronavirus (hereinafter "COVID-19"). However, persistently high crude oil prices and long-term global supply chain bottlenecks are fueling concern that corporate profits are going to come under pressure.

In these economic conditions, the Company and its consolidated subsidiaries (hereinafter the "Group") focused on the reorganization of Group companies and business structure reforms in each sector including the chemical, medical and agriculture/food products businesses, in addition to developing the infrastructure for overseas business especially the industrial gas and engineering businesses in India and the North America. The Group also pushed ahead with groupwide optimization with an eye on further growth in the future, including the development of technologies, gas production and the engineering business base, which is essential for growth, and enhancement of the framework for the logistics, procurement and administrative operations that support business operations. Additionally, alongside improvement of operational efficiency through the implementation of digital transformation (DX) and improvement of productivity through work style reform, the Group also significantly increased the resilience of its profit base.

Meanwhile the Group met social needs during the COVID-19 pandemic across a wide range of business domains, including tapping into strong demand for electronics-related products triggered by COVID-19 in the industrial gas and chemical segments and increasing production of oxygen concentrators and providing a stable supply of oxygen in the medical sector and, as a result, the strength of the Group, which comes from its diverse business portfolio and management resources, was fully demonstrated.

Further, the Company clarified that it considers the Group's purpose to be “meeting society’s needs with nature’s blessings,” and that it is the Company's mission to work closely with people and local communities to support healthy lives and manufacturing. The Company also implemented initiatives for achievement of the sustainable development goals (SDGs), with "protection of the global environment" for contributing to the realization of a carbon neutral society, and "wellness" for contributing broadly to people's health and wellbeing, as the two central pillars.

As a result, for the current third quarter consolidated cumulative period, the group’s revenue was ¥647,017 million (110.3% that of the corresponding period of the previous year), operating profit was ¥49,586 million (136.8%), and profit attributable to owners of parent was ¥32,144 million (151.5%).

2) Consolidated results by segment for this period

(Million yen)

	Revenue		Operating profit	
	FY 2021.3Q	**YoY Growth**	**FY 2021.3Q**	**YoY Growth**
Industrial Gas Business	141,915	105.9%	15,934	116.4%
Chemical Business	28,869	119.9%	2,739	170.8%
Medical Business	140,822	105.6%	7,521	128.7%
Energy Business	39,766	114.6%	2,456	96.2%
Agriculture and Food Products Business	108,073	105.0%	5,786	148.8%
Logistics Business	43,774	108.7%	2,483	111.6%
Seawater Business	32,203	114.7%	2,867	177.3%
Other Businesses	111,592	125.4%	6,897	207.6%
(Adjustment)	-	- %	2,899	191.4%
Total	647,017	110.3%	49,586	136.8%

(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.

<Industrial gas business>

[Medium-term Business Policy in this Segment]

This segment has been expanding its businesses in the electronics market where further growth is expected, as well as in overseas markets such as India, while instituting a reform of its business portfolio.

With Japanese semiconductor manufacturers increasing production, the Group is making large-scale capital investment to expand the business of supplying onsite gas to the semiconductor industry. It is also strengthening gas purification equipment, thermal control equipment for semiconductor manufacturing equipment and other peripheral businesses with the aim of establishing itself in a position where the company is comparable to the global gas giants in the electronics market.

In India, we will expand the business of supplying onsite gas to the steel industry by leveraging gas production plant technologies for a complete range from small to large plants, in addition to our track record of supplying gas to India's major local steel manufacturers. At the same time, we will increase off-site sales of industrial and medical-use gas products to strengthen the foundation of our business.

In Japan, alongside the development of infrastructure networks for the production, storage, and distribution of industrial gases that include VSUs, high-efficiency liquefied oxygen/nitrogen generators, we are seeking to strengthen our sales capacity through the integration of regional companies and restructuring our revenue base.

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue in this segment was ¥141,915 million (105.9% that of the corresponding period of the previous year), and operating profit was ¥15,934 million (116.4%).

The overall business produced results exceeding the pre-COVID-19 levels due to a generally steady performance in production activities in the domestic manufacturing industry, in addition to strong performances in gas supply services for electronics applications, the sale of special chemicals and related equipment, and the industrial gas business in India.

In the domestic **gas business**, our gas supply services for electronics applications remained firm thanks to ongoing robust capital expenditures and high-level operations of domestic semiconductor manufacturers, on the back of growth in demand for semiconductors. In our on-site gas supply services for steel manufacturers, the sales volume of gas increased due to the recovery of crude steel production. In our tanker truck and cylinder gas supply services, the services for electronic components, chemicals, machinery, and other products performed steadily, with sales volumes returning to pre-pandemic levels. Carbon dioxide sold well due to an increase in demand for dry ice for home delivery.

The **overseas business** remained strong as our on-site gas supply services for steel manufacturers maintained a high operating rate as a result of increased crude steel production in the mainstay Indian business. In our tanker truck and cylinder gas supply services, we prioritized the supply of medical-use oxygen during the rapid resurgence of COVID-19 infections in the first half.

The **equipment and construction-related business** focused on acquiring projects related to semiconductor manufacturers' investment in the growth of their production, resulting in an increase of sales of incidental construction and special chemical supply equipment as well as gas purification equipment, thermal control equipment for semiconductor manufacturing equipment, and other products.

<Chemical business>

[Medium-term Business Policy in this Segment]

This segment is implementing a structural reform to shift to the functional chemicals business focusing on electronics materials, and the results began to appear mainly on the development, production and sales fronts. On October 1, 2021, our Electronic Material Development Division, Kawasaki Kasei Chemicals Ltd., and Daito Chemical Co., Ltd. were combined, and Air Water Performance Chemicals Inc. was formed. We will pursue Group synergy through the cooperation of this company, Printec Corporation's circuit product/circuit material businesses, FILWEL Co., Ltd.'s precision polishing pad business, the Company's SiC and GaN substrate business, and other strategies, to leverage our diverse technical resources which are essential in semiconductor/electronic equipment manufacturing processes and our customer base. We aim to continue to grow by providing solutions for a smart, recycling-oriented society.

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue of this segment was ¥28,869 million (119.9% that of the corresponding period of the previous year), and operating profit was ¥2,739 million (170.8%).

The comprehensive business results showed significant improvement in revenue thanks to expansion in sales of materials and parts which are essential for manufacturing semiconductors and electronic equipment such as electronic materials and precision polishing pads, as well as recovery in demand for basic chemicals and improved market conditions.

In the electronic materials business of **Air Water Performance Chemical Inc.,** sales of polyimide monomers used for making semiconductor sealing materials were brisk, as electronics-related demand remained robust. Profitability also improved as a result of the rebuilding of the production system. The basic chemical business performed strongly due to increased sales volume of organic acids and buoyant chemical market conditions due to rising crude oil prices and a tight-supply-demand balance. In the functional chemical business, sales far exceeded the level a year earlier due to expansion in sales of quinone-based products.

In **other businesses**, high performance circuit products performed solidly, and sales of precision polishing pads remained strong on the back of growing demand for hard disks in response to growth of the data center market.

<Medical business>

[Medium-term Business Policy in this Segment]

This segment is leveraging its comprehensive capabilities to pursue a new form of medical services, including its diverse business sectors ranging from advanced medical care primarily handling medical gas and medical equipment, to everyday medical care such as dental and hygiene materials. To meet people's needs during the COVID-19 pandemic in particular, we are further increasing production of our infection prevention products, supplying oxygen concentrators, and installing oxygen supply equipment for oxygen stations being developed by each local government to support the measures to end the COVID-19 pandemic. We are also seeking to further improve profitability through measures such as the integration and reorganization of Group companies and strong cooperation with regional operating companies.

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue of this segment was ¥140,822 million (105.6% that of the corresponding period of the previous year), and operating profit was ¥7,521 million (128.7%).

In the overall business results, there was a trend towards a recovery in the environment surrounding our hospital business compared to the same period in the previous year when nearly all business segments had been seriously affected by the COVID-19 pandemic. In addition, we focused on various proposals to help solve the issues facing frontline healthcare professionals based on an assessment of changing medical needs surrounding COVID-19 such as treatments, infection control measures and vaccines. As a result, business in areas such as medical gas, home medical care and injection needles grew, and both sales and profits exceeded levels a year earlier.

The performance in the **facility business** was strong thanks to recovery in repair work and inspection and maintenance of hospital facilities such as operating rooms, which had been suspended because of the impact of COVID-19. Revenue in the **medical service business** continued to rise thanks to increased efficiency in material procurement in SPD (supply, processing, and distribution management for hospitals). In the **medical gas business**, demand for medical-use oxygen increased due to the spread of the Delta variant and, likewise in the **home medical care business,** the number of rentals of oxygen concentrators to local governments rose. In the **medical equipment business**, the number of patients undergoing nitric oxide respiratory therapy increased. The **hygiene products business** performed solidly, reflecting the capturing of demand for masks, hand sanitizers, and other infection control products that have taken root in our lives, despite the absence of the special demand seen in the same period a year earlier. In **other businesses**, the injection needle business turned in a solid performance, reflecting increased sales of syringe needles used for vaccination despite slow growth in overseas sales of mainstay dental and beauty needles. Meanwhile, our equity method affiliate Ci Medical Co., Ltd. saw an increase in mail order sales of infection control products, particularly to dentists.

<Energy business>

[Medium-term Business Policy in this Segment]

This segment posted a steady increase in revenue through the strengthening of direct sales of LP gas and the expansion of sales through the acquisition of new customers by improving services incidental to LP gas sales and obtaining the commercial rights of retailers. Moreover, initiatives have begun to develop LNG (liquefied natural gas) -related equipment and new biogas energy systems that are able to contribute to carbon neutrality and to construct the foundations for an LP gas business in the Vietnamese market, which we entered in 2019.

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue of this segment was ¥39,766 million (114.6% that of the corresponding period of the previous year), and operating profit was ¥2,456 million (96.2%).

Results of the overall business were strong in terms of sales as a result of recovery in demand for industrial use in addition to a substantial rise in LP gas import prices. However, profit was down year on year due to the impact of a decrease in the sales volume of kerosene in addition to weaker demand for LP gas for household use.

In the **LP gas business**, revenue grew, reflecting a rise in the unit selling price in connection with the CP price which is used as an indicator of import prices. However, profit fell year on year due to a temporary time lag involved in the revision of prices of LP gas for household use and weaker consumption in the absence of stay-at-home demand. Sales volume increased year on year in the business as a whole, with recovery in demand for industrial and commercial uses offsetting contraction in stay-at-home demand for household use. With the unit price increasing on the back of the rising crude oil price, revenue from kerosene grew but were affected by efforts to reduce use. The LP gas wholesale business in Vietnam was affected by restriction on the operation of filling stations due to lockdown and results were, therefore, down year on year.

In the **natural gas business**, sales of related equipment such as LNG tanker truck and V Satellite were firm due to growing interest in carbon neutrality, in addition to increased LNG sales volume.

<Agriculture and food products business>

[Medium-term Business Policy in this Segment]

In response to the significant change in food needs caused by the COVID-19 pandemic, this segment revamped its development and sales structure centered on commercial-use products, and has now focused on development of frozen food and ready-to-eat products for consumers and merchandise for home delivery, and also on the cultivation of new sales channels including e-commerce. On the production front, capital investment to support the food lifeline made to date, in areas such as decentralization of production areas of raw materials and vegetables, automation of production lines, and enhancement of food processing technology, have started to pay off at each site, and have driven improvement in the profitability of the business as a whole. Meanwhile, on October 1, 2021, the Group companies were restructured, including the integration of development/sales functions in the farm products and food processing business into the newly established Air Water Agri & Foods Co., Ltd. Our aim is to achieve further growth through structural transformation into a new food distribution and processing business that combines food processing technologies and logistics functionality and through the creation of a value chain of agricultural products, from production and procurement through to logistics, processing and sales.

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue of this segment was ¥108,073 million (105.0% that of the corresponding period of the previous year), and operating profit was ¥5,786 million (148.8%).

The overall result of the business was a significant increase in revenue, achieved through a recovery in sales of beverages and confectionery and increased efficiency of production and distribution.

The **farm products and food processing business** performed steadily, reflecting efforts in the ham & delicatessen sector to develop products in line with changing lifestyles, including the adoption of fully cooked new products for consumers by major mass retailers. In the confectionery sector, revenue recovered significantly on the production and distribution fronts, which have long been a focus of efforts, and sales to mass retailers and convenience stores were strong, reflecting product development in response to stay-at-home demand. The results of the farm products and food processing business were mostly unchanged year on year, despite significant variation on market conditions depending on production area and type of vegetable. Furthermore, in November 2021, we newly included PLUS Corporation, which operates the Farmers' Market Yottette, in the scope of consolidation and recorded a gain on sale of land of subsidiaries.

In the **beverage business**, results exceeded year-ago levels, reflecting brisk sales from the contract production of vegetable beverages and plant milk drinks amid growing health awareness and the maintenance of high utilization rates at the PET bottle filling lines at the Eniwa plant in Hokkaido, which began operating in 2020.

In **other businesses**, the fruit and vegetable retail sector was impacted by low vegetable prices and slow recovery in footfall. The agricultural equipment sector on the other hand performed solidly, bolstered by firm demand.

<Logistics business>

[Medium-term Business Policy in this Segment]

The segment continues to focus on the low-temperature logistics business, which is expected to see growing demand, and on enhancing the Group logistics network to improve profitability. In parallel, we are working to create synergy among businesses by rationalizing costs through the centralization of Group-wide logistics and leveraging the Group's own warehouses to increase efficiency. We are also pushing ahead with the development of waste material related business, the importance of which is increasing for the realization of recycling-oriented society.

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue of this segment was ¥43,774 million (108.7％ that of the corresponding period of the previous year), and operating profit was ¥2,483 million (111.6％).

Despite the impact of rising diesel oil prices, the overall results of the business remained strong thanks to the consolidation of companies through M&A in addition to recovery in freight volume through trunk line transportation driven mainly by expansion of the home delivery market.

In the **transport business**, we received large online sales contracts through promotion activities using the features of the logistics centers in the northern Kanto region and in Hokkaido. Chassis transportation on ferry routes mainly for manufacturing materials and construction materials also recovered, and freight volume through trunk line transportation increased. Furthermore, in August 2021, we newly consolidated REPROWORK HOLDINGS CO., LTD., which is engaged in the business of transporting and treating industrial waste in the Hokkaido region.

The **3PL (third party logistics)** business centering on food distribution increased the volume of shipments for supermarkets and also focused on developing new customers and rationalizing rates.

The **vehicle custom installation business**, which designs truck bodies and installs accessories, was affected by delayed deliveries of truck bodies, and results were down year on year.

<Seawater business>

[Medium-term Business Policy in this Segment]

Starting from its main products such as commercial-use salts and magnesia for electromagnetic steel plates, in which we have the largest shares of the market, this segment has steadily enhanced its earning power through the development of diverse businesses derived from seawater involving the environment, electricity, foods, and urban infrastructure (water treatment and sewage pipe rehabilitation). In addition, aiming for continued growth, we are working to expand the environment business and the carbon-neutral woody biomass power generation business, demand for which has been increasing, particularly in Asia.

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue of this segment was ¥32,203 million (114.7％ that of the corresponding period of the previous year), and operating profit was ¥2,867 million (177.3％).

The overall results of the business far exceeded those a year earlier due to the steady operations of the new woody biomass power generation plant in addition to improvement of revenue in the magnesia business where the impact of rising raw materials prices and freight rates was offset by recovery in demand mainly for heaters.

The **salt business** performed steadily thanks to an increase in sales of salt for household use and salt for roads. Sales of magnesium hydroxide, particularly for steelworks, recovered in the **environment business**. The **electric power business** posted far higher sales and profit than the previous year thanks to the continuously stable operation of the Ako No. 2 Biomass Power Plant, which commenced operation in January 2021. On the other hand, the results of **urban infrastructure business** decreased year on year, affected by the delayed start of water treatment facility construction.

The **magnesia business** performed strongly as a whole, with cost improvements on the production front offsetting the impact of rising prices for raw materials produced in China. Sales volume of fused magnesia used for heaters primarily for home appliances increased, and an increase in demand for semiconductors pushed up sales volumes of ceramic products and flame retardant for semiconductor encapsulants.

<Other businesses>

[Overview of business in the cumulative third quarter of the current consolidated fiscal year]

Revenue of this segment was ¥111,592 million (125.4％ that of the corresponding period of the previous year), and operating profit was ¥6,897 million (207.6％).

In the **aerosol business**, profit remained flat as rising crude oil drove up raw materials prices, despite a continued high level of the outsourced production of insecticides and paints for models to meet stay-at-home demand.

The **information and electronic materials business** continued to perform strongly both in Japan and overseas due to the ongoing trend for customers to increase their product inventory in response to growing global demand for semiconductors and electronic components.

The industrial gas equipment sector in the **overseas engineering business** remained steady thanks to growing demand for equipment backed by decarbonization, such as liquefied hydrogen tanks as well as an increase in orders for carbon dioxide-related equipment. On the other hand, results were lower than a year ago in the high power uninterrupted power supply systems (UPS) sector, which faced challenging conditions because construction in progress was delayed when restrictions on movement and economic activity in Singapore and surrounding countries dragged on longer than anticipated and the start of construction on new projects in Asia was also persistently delayed.

The **electric power business** posted large year-on-year gains in sales and profit thanks to the continuously stable operation of the woody biomass fired power plant in Iwaki, Fukushima, which commenced operation in April 2021.

In **other businesses**, the O-rings business performed strongly, reflecting a sharp rise in sales of products for semiconductor manufacturing equipment.

(2) Explanation of financial position for the current period

Total assets at the end of the current third quarter consolidated fiscal year under review stood at ¥1,001,245 million, an increase of ¥74,423 million compared to the end of the previous consolidated fiscal year due primarily to increases in property, plant and equipment. Liabilities stood at ¥597,135 million, an increase of ¥42,704 million compared to the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥404,109 million, an increase of ¥31,719 million compared to the end of the previous consolidated fiscal year, due mainly to an increase in other components of equity and accumulation of quarterly profit attributable to owners of parent.

Equity attributable to owners of parent per share grew from ¥1,584.86 at the end of the previous consolidated fiscal year to ¥1,685.47, and ratio of equity attributable to owners of parent to total assets was 38.1%, compared with 38.6% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the current third quarter consolidated cumulative period was an inflow of ¥46,615 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was a decrease of ¥512 million compared to that in the previous third quarter consolidated cumulative period.

Cash flows from investing activities for the current third quarter consolidated cumulative period was an outflow of ¥36,072 million, an decrease in expenditures of ¥5,470 million compared to the previous third quarter consolidated cumulative period, due mainly to a decrease in expenditures resulting from purchase of property, plant and equipment and an increase in proceeds resulting from sale of investment securities, despite an increase in expenditures resulting from payments for investment securities.

Cash flows from financial activities for the current third quarter consolidated cumulative period was an outflow of ¥5,380 million, which was an increase in expenditures of ¥169 million compared to that in the previous third quarter consolidated cumulative period, due mainly to a decrease in proceeds from borrowings, despite an increase in proceeds from the issuance of bonds and a decrease in expenditures, resulting from repayments of borrowings a decrease in proceeds from borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the current third quarter consolidated cumulative period stood at ¥52,644 million, an increase of ¥9,356 million compared to the end of the previous third quarter consolidated cumulative period.

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

Our full-year operating results forecasts remain unchanged from the forecasts announced on November 5, 2021.