
Fiscal year 2020 Third Quarter

Financial Results

Explanatory Materials

Meeting society's needs with nature's blessings.



February 10, 2021

Fiscal Year 2020 Third Quarter Financial Results

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Notes

•The numerical targets and forecasts presented in this document reflect the judgment of the Company based on information currently available and involve potential risks and uncertainties. Therefore, note that actual business performance may differ significantly from the projections made herein due to changes in various factors.

•The Company has adopted International Financial Reporting Standards (IFRS) beginning in the first quarter of fiscal year 2019.

Fiscal Year 2020 Third Quarter Financial Results

● Third quarter financial results

- Operating profit for the first nine months of the fiscal year under review stood at 36.2 billion yen (**down 6.6% year on year**).
- The rate of year-on-year decline was lower than during the first six months (down 11.6% year on year).
- Operating profit for the third quarter (October to December) stood at 167 billion yen (**up 0.1% year on year**), having recovered to the year-ago level.

- In addition, operating profit for the third quarter (October to December) increased significantly, **by 2.1 billion yen from the year-ago level**, if the impact of the gain on bargain purchase (2.1 billion yen), which was recorded in the same period of the previous fiscal year as a result of M&A of Daito Chemical Co., Ltd., is excluded.

[Major factors for the virtual increase of operating profit in the third quarter (October to December)]

- Business opportunities, including those of infection control products, increased due to the COVID-19 pandemic.
- Profit has improved from the Chemical Business and the Agriculture & Food Products Business.
- The Industrial Gases Business is going strong in India.
- The workstyle reform remained effective for cost reduction.

Consolidated income statement

	2019.3Q	2020.3Q	Increase/decrease	
			Amount	YoY
Revenue	592.1	586.4	▲5.7	99.0%
Cost of sales	▲458.9	▲453.3	+5.6	
Gross profit	133.2	133.1	▲0.0	100.0%
Selling, general and administrative expenses	▲100.2	▲100.8	▲0.6	
Other operating income and expenses	4.7	2.4	▲2.3	
Share of (profit) loss of investments accounted for using the equity method	1.1	1.5	+0.3	
Operating profit	38.8	36.3	▲2.6	93.4%
Finance income and costs	▲0.4	▲1.0	▲0.6	
Quarterly profit before income taxes	38.4	35.2	▲3.2	91.7%
Income taxes	▲11.7	▲12.0	▲0.3	
Quarterly loss from discontinued operations	▲0.1	▲0.0	+0.1	
Quarterly profit	26.6	23.2	▲3.4	87.3%
Owners of parent	23.3	21.2	▲2.1	91.0%
Non-controlling interests	3.3	2.0	▲1.3	
Operating profit margin	6.6%	6.2%		
ROE *1	7.6%	6.3%		
Basic earnings per share for the period" *2	116.95yen	93.54yen		

*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 quarter)

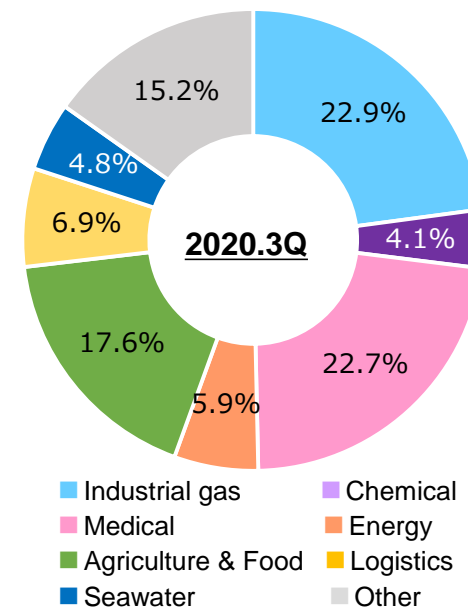
*2 Basic earnings per share for the period are calculated based on the average number of issued shares during the period.

Revenue by segment

(Unit: Billion yen)

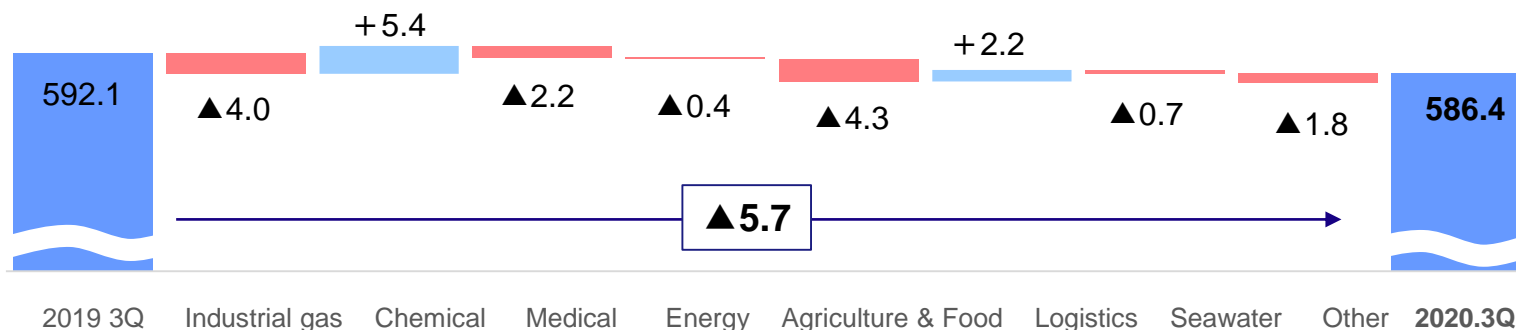
	2019.3Q	2020.3Q	Increase/decrease	
			Amount	YoY
Industrial Gases	138.0	134.1	▲4.0	97.1%
Chemical	18.7	24.1	+5.4	128.6%
Medical	135.5	133.3	▲2.2	98.4%
Energy	35.1	34.7	▲0.4	99.0%
Agriculture & Food Products	107.2	102.9	▲4.3	96.0%
Logistics	38.0	40.3	+2.2	105.8%
Seawater	28.8	28.1	▲0.7	97.5%
Other	90.7	89.0	▲1.8	98.0%
Total	592.1	586.4	▲5.7	99.0%

Revenue breakdown by segment



Revenue increase/decrease by segment

(Unit: Billion yen)

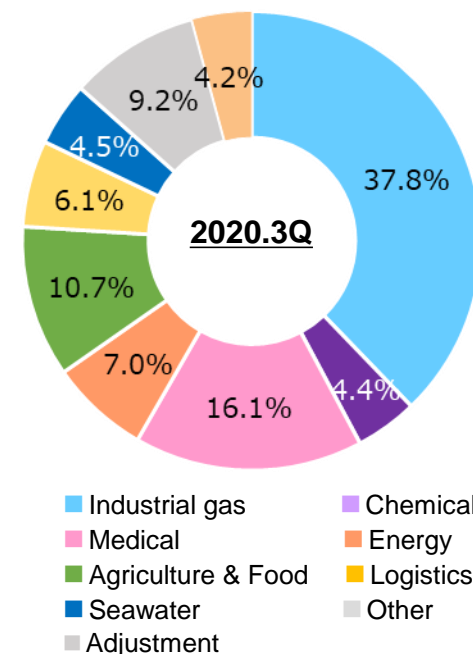


Operating profit by segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase/decrease	
			Amount	YoY
Industrial Gases	14.1	13.7	▲0.4	97.0%
Chemical	2.4	1.6	▲0.8	66.4%
Medical	5.9	5.8	▲0.1	98.8%
Energy	2.1	2.6	+0.5	121.7%
Agriculture & Food Products	3.6	3.9	+0.3	108.5%
Logistics	1.9	2.2	+0.4	119.2%
Seawater	2.1	1.6	▲0.5	77.0%
Other	5.0	3.3	▲1.7	66.5%
(Adjustment) *	1.7	1.5	▲0.2	87.7%
Total	38.8	36.3	▲2.6	93.4%

Operating profit composition ratio by segment

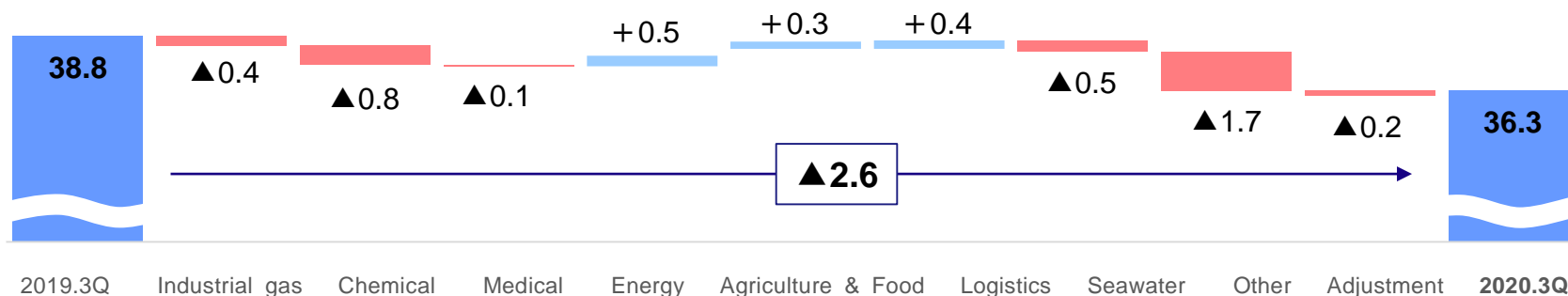


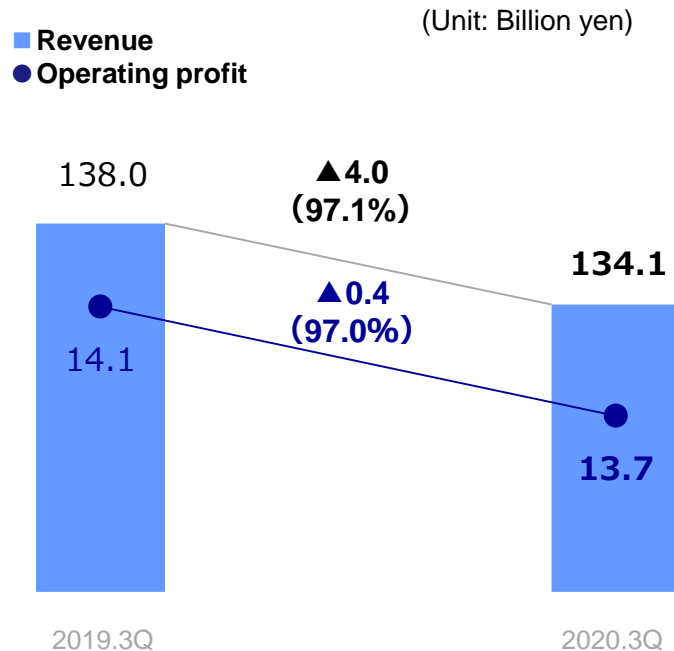
* Adjustment: Elimination of intersegment transactions and profit or loss of the Company's Head Office divisions that are not allocated to each reporting segment.

R&D expenses for new business areas that were previously recorded in each segment have been included in "adjustments" starting the second quarter of the fiscal year under review. Accordingly, figures for the previous fiscal year for comparison is restated according to the new classification.

(Unit: Billion yen)

Operating profit increase/decrease by segment





Main increase/decrease factors

■ Revenue ▲4.0 billion yen

- 【-】 · Decline in on-site gas supply to steel manufacturers
- Decline in gas supply via lorries and cylinders
- 【+】 · Effect of new consolidation of Air Water India

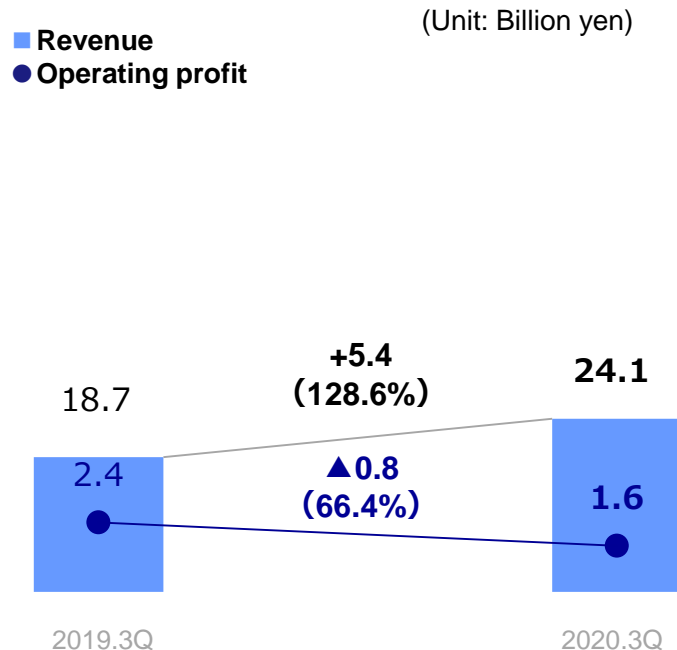
■ Operating profit ▲0.4 billion yen

- 【-】 · Decline in on-site gas supply to steel manufacturers
- Decline in gas supply via lorries and cylinders
- Increase in supply costs of carbon dioxide gas
- Reactionary decrease resulting from a gain on sale of land recorded in the previous fiscal year
- 【+】 · Effect of new consolidation of Air Water India

■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
Gas	89.8	79.7	▲10.0	88.8%
Equipment, construction and others	42.2	42.7	+0.4	101.0%
Overseas	6.0	11.6	+5.7	194.8%
Total	138.0	134.1	▲4.0	97.1%



Main increase/decrease factors

■ Revenue +5.4 billion yen

- 【+】・ Effects of new consolidation of FILWEL and Daito Chemical
- 【-】・ Fall in unit prices and sales of phthalic anhydride

■ Operating profit ▲0.8 billion yen

- 【-】・ Reactionary decrease attributed to the gain on bargain purchases of Daito Chemical that was posted in the previous fiscal year
- 【+】・ Effects of new consolidation of FILWEL and Daito Chemical
- ・ Increase in sales of functional chemicals for electronics materials
- ・ Progress in earnings improvement as a result of plant reorganization

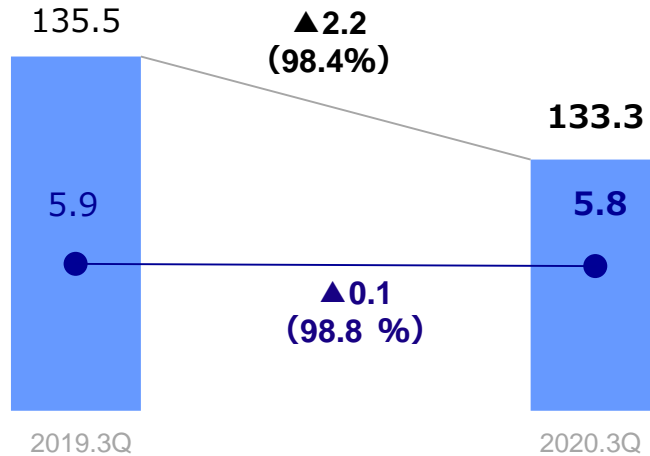
■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
Functional chemicals	9.6	16.0	+6.4	167.1%
Kawasaki Kasei Chemicals	9.2	8.1	▲1.1	88.5%
Total	18.7	24.1	+5.4	128.6%

■ Revenue
● Operating profit

(Unit: Billion yen)



Main increase/decrease factors

■ Revenue ▲2.2 billion yen

- 【－】・ Decline in volume of medical services (SPD) due to a decrease in the numbers of operations and outpatients
- ・ Postponements and delays of hospital facility construction projects in Japan and Singapore
- 【＋】・ Increase in sales of infection control products (such as masks, hand sanitizers, and simple negative pressure devices)

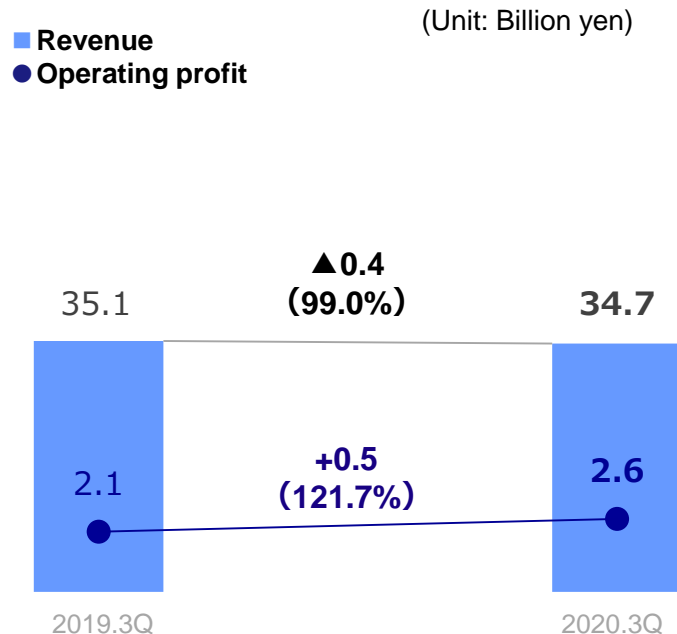
■ Operating profit ▲0.1 billion yen

- 【－】・ Postponements and delays of hospital facility construction projects in Japan and Singapore
- 【＋】・ Increase in sales of infection control products (such as masks, hand sanitizers, and simple negative pressure devices)

■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
Hospital facilities	18.7	17.0	▲1.7	90.7%
Medical treatment services	63.3	57.2	▲6.1	90.4%
Medical gas	6.6	6.2	▲0.4	94.1%
Medical equipment	5.0	7.0	+2.0	139.6%
Home medical care	7.2	7.4	+0.3	103.7%
Hygiene products	18.1	23.3	+5.2	128.5%
Other	16.6	15.3	▲1.4	91.7%
Total	135.5	133.3	▲2.2	98.4%



Main increase/decrease factors

■ Revenue ▲0.4 billion yen

- 【－】・ Decline in unit sales prices of LP gas and kerosene that moved in tandem with import prices
- ・ Decline in sales volume of LP gas for commercial and industrial use
- 【＋】・ Effects of new consolidation of a subsidiary in Vietnam

■ Operating profit +0.5 Billion yen

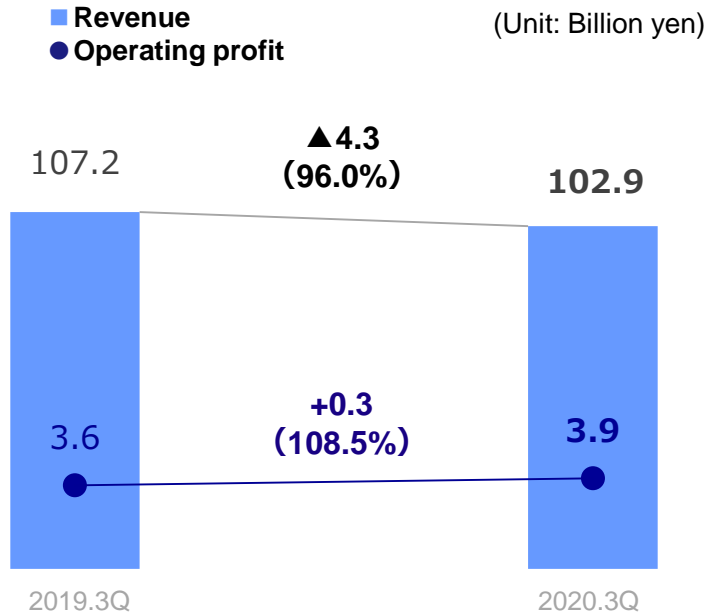
- 【＋】・ Increase in sales volume of LP gas for consumer use
- 【－】・ Decline in sales of, and construction for, energy-related equipment

■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
LP gas	34.1	33.7	▲0.4	98.9%
Natural gas-related	1.0	1.0	+0.0	103.4%
Total	35.1	34.7	▲0.4	99.0%

Agriculture & Food Products Business: Revenue and operating profit



Main increase/decrease factors

■ Revenue ▲4.3 billion yen

- 【－】
- Closures and shorter operating hours of stores in vegetables and fruit retail sector
 - Decline in volume of contract manufacturing of beverages due to the voluntary ban on leaving home
 - Decline in demand for food products for commercial use from restaurants and hotels

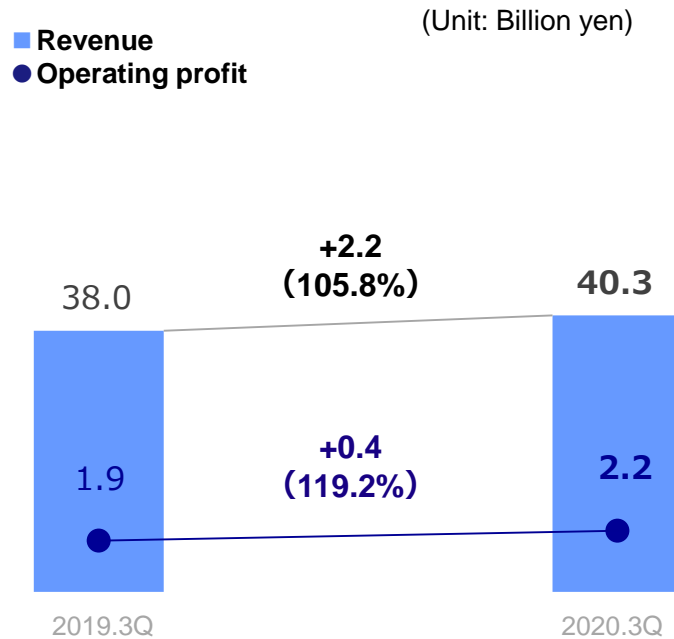
■ Operating profit +0.3 billion yen

- 【＋】
- Progress in profit improvement in the sweets sector and the vegetables and fruit retail sector
- 【－】
- Decline in demand for food products for commercial use from restaurants and hotels

■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
Farm products and food processing	45.6	44.7	▲0.9	98.1%
Beverage	38.9	37.2	▲1.7	95.6%
Other	22.7	21.0	▲1.7	92.5%
Total	107.2	102.9	▲4.3	96.0%



Main increase/decrease factors

■ **Revenue +2.2 billion yen**

- 【+】 · Effects of new consolidation of KATSURA TSUSHO
- Increase in volume of shipments in low-temperature logistics for supermarkets
- 【-】 · Decline in volume of chassis transport shipments

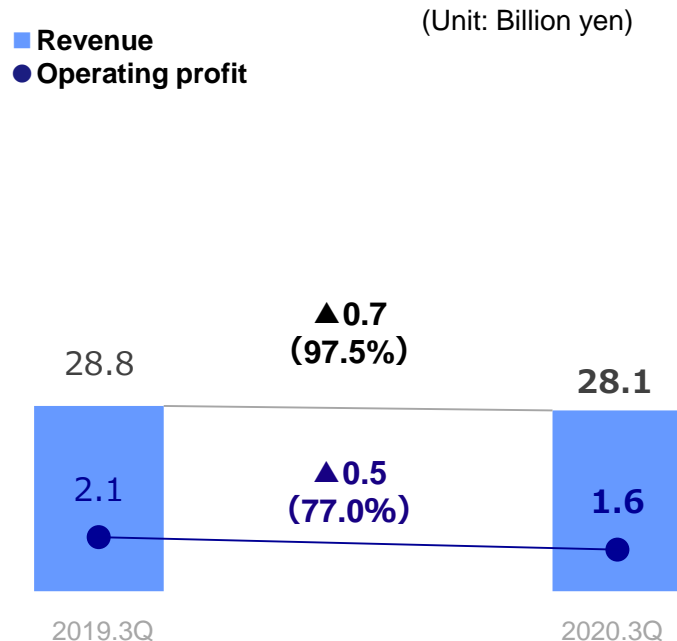
■ **Operating profit +0.4 billion yen**

- 【+】 · Cost improvement thanks to fall of diesel oil prices
- Higher operating rates of low-temperature logistics centers
- Effects of new consolidation of KATSURA TSUSHO
- 【-】 · Decline in volume of chassis transport shipments

■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
Transport	16.7	18.2	+1.6	109.5%
3PL	17.3	17.8	+0.5	102.8%
Vehicle body manufacturing	4.1	4.3	+0.2	104.1%
Total	38.0	40.3	+2.2	105.8%



Main increase/decrease factors

■ Revenue ▲0.7 billion yen

- 【－】
 - ・ Decline in sales of magnesia for general ceramic engineering
 - ・ Decline in sales of commercial salt for restaurants and food processing
- 【＋】
 - ・ Increase in orders received for water treatment systems and sewage pipe rehabilitation

■ Operating profit ▲0.5 billion yen

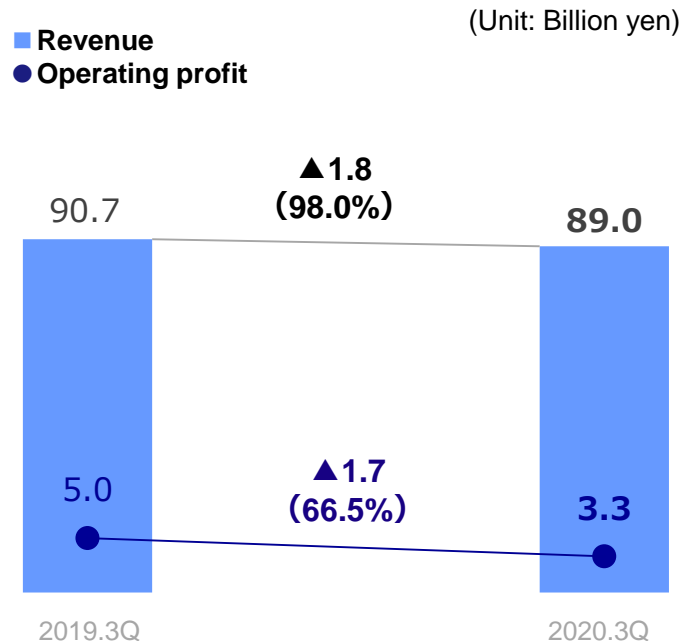
- 【－】
 - ・ Large-scale periodic repair at Sanuki plant
 - ・ Periodic repair at Onahama power plant (implemented biannually)
 - ・ Decline in sales of commercial salt for restaurants and food processing

■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
Salt-related *	21.2	22.2	+1.0	104.6%
Magnesia	7.6	5.9	▲1.7	77.7%
Total	28.8	28.1	▲0.7	97.5%

* The segment consists of the salt manufacturing business, environmental business, electric power business and food product business of Nihonkaisui Co., Ltd.



Main increase/decrease factors

■ Revenue ▲ 1.8 billion yen

- 【－】 • Decrease in construction projects of construction-related subsidiaries
- Decline in sales of electronics materials for in-vehicle applications
- 【＋】 • Operation of Hofu power plant (started operation in July 2019)

■ Operating profit ▲ 1.7 billion yen

- 【－】 • Decrease in the number of operating days of Hofu power plant due to a periodic inspection (first inspection after its launch)
- Project delays in high-power UPS sector
- Decrease in construction projects of construction-related subsidiaries
- 【＋】 • Increase in volume of contract manufacturing of alcohol-based sanitizing agents in the aerosol business

■ Revenue by sub-segment

(Unit: Billion yen)

	2019.3Q	2020.3Q	Increase /decrease	YoY
Aerosol	14.8	15.1	+0.3	101.8%
Information and electronics materials	30.1	28.8	▲ 1.3	95.6%
Overseas engineering	16.3	16.5	+0.2	101.2%
Other	29.5	28.7	▲ 0.9	97.0%
Total	90.7	89.0	▲ 1.8	98.0%

Consolidated statement of financial position

(Unit: Billion yen)

		End of March 2020	End of December 2020	Increase/decrease	
				Amount	Change %
	Current assets	333.3	340.0	+6.7	102.0%
	Non-current assets	566.4	587.1	+20.7	103.6%
	Total assets	899.7	927.0	+27.3	103.0%
	Current liabilities	283.5	261.2	▲22.3	92.1%
	Non-current liabilities	264.4	305.0	+40.6	115.4%
	Total liabilities	547.9	566.1	+18.3	103.3%
	Total equity	351.8	360.9	+9.1	102.6%
Total liabilities and equity		899.7	927.0	+27.3	103.0%
Equity attributable to owners of the parent		332.0	339.4		
Interest-bearing liabilities		334.2	347.5		
Equity ratio attributable to owners of the parent		36.9%	36.6%		
Net D/E ratio *		0.88	0.90		

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

Cash flow status

(Unit: Billion yen)

		2019.3Q	2020.3Q	Increase /decrease
Operating cash flows	[(1)]	23.7	47.1	+23.5
Investment cash flows	[(2)]	▲97.6	▲41.5	+56.0
Financial cash flows	[(3)]	82.3	▲5.2	▲87.5
Total cash flows	[(1)+(2)+(3)]	8.4	0.4	▲8.0
Cash and cash equivalents at the end of the quarter		41.3	43.3	+2.0
Free cash flows [(1)+(2)]		▲73.9	5.6	+79.5

Fiscal Year 2020 Full-Year Financial Results Forecast

Fiscal year 2020 full-year financial results forecast

Revenue, operating profit, profit before income taxes and profit for the period are in line with our revised forecasts (announced on November 12).

(Unit: Billion yen)

	FY2019 (Results)	FY2020 (Revised forecast)	Increase/decrease		FY2020 (Initial forecast)
			Amount	YoY	
Revenue	809.1	820.0	+10.9	101.3%	810.0
Operating profit	50.6	50.0	▲0.6	98.8%	46.0
Profit before income taxes	49.8	48.5	▲1.3	97.3%	45.0
Profit attributable to owners of the parent	30.4	29.0	▲1.4	95.3%	27.0
Interest-bearing liabilities	334.2	346.7	+12.4	103.7%	336.5
Equity attributable to owners of the parent	332.0	347.5	+15.5	104.7%	348.6
Total assets	899.7	958.0	+58.3	106.5%	947.9
Operating profit margin	6.3%	6.1%			5.7%
ROE *1	10.0%	8.5%			7.9%
Basic earnings per share for the period	147.43yen	128.13yen			118.69 yen
Equity ratio attributable to owners of the parent	36.9%	36.3%			36.8%
Net D/E ratio *2	0.88	0.89			0.84

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

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

Full-year financial results forecast by segment

(Unit: Billion yen)



		FY2019 full year	FY2020 full year	Increase/decrease		FY2020 full year	
		Results	① Revised forecast	Amount	YoY	② 2020.3Q	①-② 4Q forecast
Industrial Gases	Revenue	189.0	191.0	+2.0	101.1%	134.1	56.9
	Operating profit	19.2	19.9	+0.7	103.4%	13.7	6.2
Chemical	Revenue	27.5	33.0	+5.5	120.1%	24.1	8.9
	Operating profit	1.3	1.8	+0.5	134.5%	1.6	0.2
Medical	Revenue	187.9	185.0	▲2.9	98.4%	133.3	51.7
	Operating profit	10.5	10.5	+0.0	100.4%	5.8	4.7
Energy	Revenue	52.0	56.0	+4.0	107.8%	34.7	21.3
	Operating profit	4.3	4.6	+0.3	108.2%	2.6	2.0
Agriculture & Food Products	Revenue	137.3	136.0	▲1.3	99.1%	102.9	33.1
	Operating profit	3.3	3.5	+0.2	106.6%	3.9	▲0.4
Logistics	Revenue	50.4	55.0	+4.6	109.1%	40.3	14.7
	Operating profit	2.4	2.9	+0.5	121.0%	2.2	0.7
Seawater	Revenue	40.0	40.0	+0.0	100.0%	28.1	11.9
	Operating profit	2.9	2.8	▲0.1	95.4%	1.6	1.2
Other <small>(sol. information electronics materials, overseas engineering and others)</small>	Revenue	125.1	124.0	▲1.1	99.2%	89.0	35.0
	Operating profit	7.3	5.5	▲1.8	75.0%	3.3	2.2
(Adjustment)	Operating profit	▲0.6	▲1.5	▲.9	-	1.5	▲3.0
Total	Revenue	809.1	8,20.0	+10.9	101.3%	586.4	233.6
	Operating profit	50.6	50.0	▲0.6	98.8%	36.3	13.7

*Revised forecast announced on November 12, 2020

Supplementary Materials

Number of consolidated companies

	End of March 2020	End of December 2020	Increase/decrease
Consolidated subsidiaries*	125	122	Increase of 4 companies Decrease of 7 companies
Equity method affiliates	17	13	Decrease of 4 companies
Total	142	135	Decrease of 7 companies

* The number of consolidated subsidiaries include only companies which Air Water directly consolidates. Affiliated companies consolidated by consolidated subsidiaries are excluded from this number. Consolidated companies listed above include joint operations.

Major newly consolidated companies for fiscal year 2020

Company name	Segment	Time of start of consolidation
Air Water Vietnam Co., Ltd.	Industrial Gases	2020.1Q
Pacific Petroleum Import and Export Trading Joint Stock Company	Energy	2020.1Q
KATSURATSUSHO Co., Ltd.	Logistics	2020.1Q

(Reference) Major newly consolidated companies for fiscal year 2019

Company name	Segment	Time of start of consolidation
Air Water India Pte. Ltd.	Industrial Gases	2019.3Q
Ecofroz S.A.	Agriculture & Food Products	2019.3Q
FILWEL Co., Ltd.	Chemical	2019.3Q
Daito Chemical Co., Ltd.	Chemical	2019.3Q
Hitec Holding B.V.	Other	2019.3Q

Revenue by product in the industrial gas and energy businesses

(Unit: Billion yen)

	2019.2Q	2020.2Q	Increase/decrease	
	Amount	Amount	Amount	YoY
Oxygen	21.9	16.1	▲5.8	73.5%
Nitrogen	22.3	22.5	+0.1	100.5%
Argon	9.7	8.8	▲0.8	91.5%
Carbon dioxide	16.9	15.4	▲1.5	91.1%
Hydrogen	3.6	3.2	▲0.4	88.4%
Helium	2.1	1.8	▲0.2	88.9%
Other gases	13.4	12.0	▲1.4	89.5%
Industrial gas total	89.8	79.7	▲10.0	88.8%
LP gas	17.7	17.2	▲0.5	96.9%
Kerosene	6.0	4.8	▲1.2	79.9%

※ Revenues generated by overseas industrial gas and LP gas businesses are not included.

Meeting society's needs with nature's blessings.



AIR WATER INC.