February 13, 2020

Consolidated Financial Results (Under IFRS)
For the Third Quarter of the March 31, 2020 Fiscal Year

AIR WATER INC.
Head Office: 12-8, Minami semba 2-chome,
Chuo-ku, Osaka, Japan

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

1. Results for the Nine Months Ended December 31, 2019

(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, 2019	592,077	10.1	38,821	23.4	38,442	22.8	26,582	21.7	23,322	10.9	30,906	73.9
Nine months ended December 31, 2018	537,815	―	31,458	―	31,304	―	21,844	―	21,026	―	17,774	―

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	116.95	116.75
Nine months ended December 31, 2018	107.54	107.34

(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, 2019	910,441	358,465	338,561	37.2
As of March 31, 2019	785,944	295,009	278,053	35.4

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, 2019	―	19.00	―	21.00	40.00
The fiscal year ending March 31, 2020	―	20.00	―		
The fiscal year ending March 31, 2020 (Forecasts)				20.00	40.00

(Note) Changes in forecast of dividends for the fiscal year ending March 31, 2020 from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2020

(% 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	830,000	11.8	48,000	12.2	47,000	11.6	30,000	4.1	145.36

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2020 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): Yes

Newly included: 1 company (Company name) Air Water India Private Limited
Note: For more information, please refer to "**5. Matters Relating to Summary Information (Other)** (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation) " on page 7 of the attachment.

(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, 2019: 229,755,057 shares
As of March 31, 2019: 198,705,057 shares
b. Number of shares of treasury shares
As of December 31, 2019: 2,510,316 shares
As of March 31, 2019: 2,943,138 shares
c. Average number of shares during the term
First Nine months of the fiscal year ending March 31, 2020: 199,429,076 shares
First Nine months of the fiscal year ended March 31, 2019: 195,527,890 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

・AIR WATER INC. (hereinafter “the Company”) has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2020. In addition, the consolidated financial statements for the same period of the previous fiscal year and the previous fiscal year are presented based on IFRS.

・The forward-looking statements such as result forecasts included in this document are based on the information available to 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

The Japanese economy in the cumulative third quarter of the current consolidated fiscal year was on a modest recovery trend thanks to improvements in the employment environment and a pickup in consumer spending. However uncertainty over the future economy continued, with export remaining stagnant due to the protracted U.S. China trade dispute and slowdown in the Chinese economy, which also affected the production activities and facility investment of the domestic manufacturing industry.

Under these circumstances, the results of our corporate group showed steady progress in improving profitability, as a result of our efforts to strengthen our earnings structure including product price revisions, despite sluggishness in demand seen in some of our industrial gas businesses as we entered the third quarter. Business remained strong, contributed to by the effect of new consolidation through aggressive M&A and the start of revenue generation from our woody biomass power generation business.

As a result, for the current third quarter consolidated cumulative period, the group's revenue was ¥592,077 million (110.1% that of the corresponding period of the previous year), operating profit was ¥38,821 million (123.4%), and profit attributable to owners of parent was ¥23,322 million (110.9%).

Effective the current consolidated fiscal year, the classification of reporting segments has been changed. The segment information for the third quarter cumulative period of the previous consolidated fiscal year has been revised in accordance with the new reporting segment classification.

2) Consolidated results by segment for this period

(Million yen)

	Revenue		Operating profit	
	FY 2019.3Q	YoY Growth	FY 2019.3Q	YoY Growth
Industrial Gas Business	138,016	110.2%	14,116	120.3%
Chemical Business	18,725	110.4%	2,414	387.6%
Medical Business	135,491	110.3%	5,687	103.2%
Energy Business	35,070	97.8%	2,097	107.6%
Agriculture and Food Products Business	107,218	101.5%	3,584	81.7%
Logistics Business	38,041	105.3%	1,866	103.5%
Seawater Business	28,782	101.5%	2,099	137.1%
Other Businesses	90,729	135.9%	4,997	190.1%
(Adjustment)	—	—	1,958	151.7%
Total	592,077	110.1%	38,821	123.4%

(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>

Revenue of this segment was ¥138,016 million (110.2% that of the corresponding period of the previous year) and operating profit was ¥ 14,116 million (120.3%).

In our **gas business**, despite the impact of the reduction of crude steel production, which was seen as we entered the current third quarter, our on-site gas supply services for steel manufacturers remained on a par with the same period of the previous fiscal year, contributed to by an increase in sales volume due to the start of operation a new furnace at our main customer's plant. Our on-site gas supply services for electronics applications performed satisfactorily thanks to the continued high levels of operation of our main customers' manufacturing plants. Our gas supply services via tanker lorries and cylinders were sluggish due to a sense of stagnation in demand that emerged in some sectors including automobiles, the impact on which will be significant across the industry, shipbuilding, machinery and construction. Sales of our liquefied carbon dioxide gas and dry ice grew well due to the progress made in revising prices. Starting from the current consolidated fiscal year, Air Water India Private Limited, through which Air Water acquired industrial gas businesses in eastern India and southern India from Praxair India Private Limited and Linde India Limited, respectively, has been newly included in our scope of consolidation.

Our **equipment and construction-related business** grew steadily, thanks to an expansion in sales of semiconductor-related equipment and the effects of new consolidation of Nichinetu Holdings Co., Ltd., which Air Water acquired through M&A in the previous consolidated fiscal year.

<Chemical business>

Revenue of this segment was ¥18,725 million (110.4% that of the corresponding period of the previous year) and operating profit was ¥2,414 million (387.6%).

Despite the continued shut-down of plants in China due to the country's environment regulation and the impact of a decline in sales of our highly-functional circuit products used for industrial robots, our **functional chemicals business** remained firm overall, due to the progress made in improving earnings of the products for electronics applications through expanded sales and the streamlining of domestic production bases. The effects of new consolidation of FILWEL Co., Ltd. and Daito Chemical Co., Ltd. both of which we acquired through M&A implemented in the current consolidated fiscal year, also contributed to the results. In addition, operating profit significantly increased due to the gain on bargain purchase (2,051 million yen) recorded resulting from the M&A of Daito Chemical Co., Ltd.

Despite weaker market conditions for phthalic anhydrides and the significant decline in sales of its naphthoquinone, **Kawasaki Kasei Chemicals Ltd.** saw the business remain at the same level as in the period of the previous fiscal year, thanks to the steady performance of the sales of its succinic acids and quinone-based agrochemical intermediates.

Due to the transfer of the coke oven gas purification business and sales business of its byproducts, which constituted part of our chemical business, effective April 1, 2019, these businesses have been classified into discontinued operations. Accordingly, profits and losses associated with these businesses for the same period of the previous year have been categorized into discontinued operations.

<Medical business>

Revenue of this segment was ¥135,491 million (110.3% that of the corresponding period of the previous year) and operating profit was ¥5,687 million (103.2%).

Our **facility business** performed strongly by capturing orders for renovation projects, despite a continued decline in new projects in hospital facility construction.

Our **medical treatment services** improved steadily, due to new contracts won for SPD (supply, processing and distribution management for hospitals) and rationalized material procurement.

Our **medical gas business** maintained its sales volume at the same level as in the period of the previous fiscal year, despite the gradual declining trend of the volume of medical gas used.

Our **medical equipment business** saw an increase in the number of cases to which inhaled nitric oxide therapy would be applicable and healthy growth in sales of our high-pressure oxygen treatment devices.

While our **home medical care service** was on a par with previous year's level, our **hygiene product business** grew well due to the progress made in expanding its contract business and streamlining its manufacturing plants.

Our dental business, which saw an expansion in sales of dentistry-related materials, and our injection needle business, which introduced most advanced manufacturing facilities, both grew to satisfactory levels and effects of the new consolidation through M&As implemented in the previous fiscal year also contributed to the results.

<Energy business>

Revenue of this segment was ¥35,070 million (97.8% that of the corresponding period of the previous year) and operating profit was ¥2,097 million (107.6%).

Our **LP gas business** was affected in terms of sales, due to a fall in unit sales prices along with import prices. However, the business performed strongly in terms of profit due to a steady growth in sales volume, thanks to an increase in direct sales customers as a result of the acquisition of commercial rights of retailers and the progress made in our efforts to increase customers by providing point reward services in the sales of LP gas for consumer use, and because of the progress in sales expansion of LP gas for industrial use in the Honshu Island area through efforts to increase the number of company-operated tanker lorries. Sales of kerosene decreased in volume due to the warm winter. Our equipment and construction business grew steadily thanks to the recovery from the impact of the earthquake and an increase in sales of our hybrid hot-water supply and heating system for household use.

Our **natural gas businesses** performed steadily, thanks to an increase in sales volume of LNG and an increased number of LNG tanker lorries sold.

<Agriculture and food products business>

Revenue of this segment was ¥ 107,218 million (101.5% that of the corresponding period of the previous year) and operating profit was ¥ 3,584 million (81.7%).

The business environment for our **farm products and food processing business** remained difficult, including a rise in logistics and labor costs. In addition to this situation, our ham-delicatessen and sweets sectors were affected by intensified market competition, and our farm products and processing sector, which takes up the cultivation, processing and retail of vegetables, was heavily impacted by low market prices of our mainstay Hokkaido vegetables due to a bumper harvest.

Our **beverage business** saw results fall below that of the same period of the previous year, due to a decline in volume of contract manufacturing of vegetable beverages caused by low temperature during the peak demand period of summer and also due to a rise in logistics and labor costs.

Although our fruit and vegetable retail sector in our **other businesses** was affected by low market prices of vegetables and a decline in customer attraction in department stores after the consumption tax increase, sales grew steadily thanks to the increased demand for high-priced products with high profit margins, because the reduced tax rate is applied to vegetables, and also thanks to the progress made in the improvement of earnings of the existing stores. Our agricultural equipment sector, which also saw the last-minute demand before the consumption tax hike, performed steadily.

In addition to the effects of new consolidation through M&As implemented in the previous consolidated fiscal year in our farm products and food processing business, there were also the new consolidation effects of Ecofroz S.A. in Ecuador engaged in the production and sale of broccoli, which Air Water acquired through M&A in the current consolidated fiscal year.

<Logistics business>

Revenue of this segment was ¥ 38,041 million (105.3% that of the corresponding period of the previous year) and operating profit was ¥ 1,866 million (103.5%).

Although the whole business was affected by increases in costs caused by labor shortages, the impact was kept to a minimum through the streamlining of deliveries by introducing a new delivery management system and optimization of contract prices.

Our **transport business** performed steadily, due to an increase in volume of shipments for construction materials and farm products especially in the Hokkaido area until the second quarter, although the growth slowed down after entering the third quarter.

Our **3PL (Third Party Logistics) business** centering on food logistics grew satisfactorily, due to the start of contract delivery service in new areas, the progress made in price optimization which has been undertaken since the previous consolidated fiscal year and improvements achieved in warehouse operation productivity.

Our **vehicle custom installation business** performed steadily, due to firm replacement demand and investments made in the previous fiscal year to improve production capacity which contributed to the results.

<Seawater business>

Revenue of this segment was ¥ 28,782 million (101.5% that of the corresponding period of the previous year) and operating profit was ¥ 2,099 million (137.1%).

Our **salt manufacturing business** exhibited strong performance due to the contribution of product price revisions implemented in the previous consolidated fiscal year, in addition to the progress made in the sales expansion of our special salt manufacturing system and the streamlining of production. Although our environmental business saw a decline in sales of magnesium hydroxide used for flue-gas desulfurization, the water treatment sector including sewage pipe rehabilitation remained firm. Also, the company's woody biomass-based power generation business and food product business centering on seaweeds and Furikake (dried food sprinkled over rice) grew steadily.

Our **magnesia business** performed strongly, due to a recovery in sales volume of magnesia for electromagnetic steel plates and as a result of the progress made in price revisions of fused magnesia used for heaters which had been increasing in costs of raw materials, despite a decline in sales volume of our ceramic engineering products including those for fire-proof brick applications.

<Other businesses>

Revenue of this segment was ¥ 90,729 million (135.9% that of the corresponding period of the previous year) and operating profit was ¥ 4,997 million (190.1%).

Our **aerosol business** faced difficult conditions due to the effects of the rise in costs including depreciation caused by the start of operation of a new plant, in addition to a decline in sales of human body supplies such as UV blocking sprays resulting from a slowdown in demand from China.

Our **information and electronic materials business** saw strong performance in sales of products for semiconductors and chemical industries in Japan, but the results fell below that of the same period of the previous fiscal year, due to a slowdown in facility investment and decline in automobile production in China.

In our **overseas engineering business**, results were contributed to by the effects of the consolidation of the three companies that engage in industrial gas-related engineering and equipment businesses in North America and one company that operates engineering business involving high power UPS (uninterruptible power-supply system) units in Singapore, all of which Air Water acquired through M&A in the previous consolidated fiscal year, as well as the consolidation of a Netherlands high power UPS manufacturer, Hitec Holding B.V. which we also acquired through M&A in the current consolidated fiscal year.

Our **electricity generation business** performed satisfactorily, thanks to the continued stable operation of our Hofu biomass-coal mixed firing power plant which started its operation in July last year.

(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 ¥910,441 million, an increase of ¥124,497 million compared to the end of the previous consolidated fiscal year primarily due to increases in property, plant and equipment. Liabilities stood at ¥551,976 million, an increase of ¥61,042 million compared to the end of the previous consolidated fiscal year mainly due to increases in bonds and borrowings. Equity stood at ¥358,465 million, an increase of ¥63,455 million compared to the end of the previous consolidated fiscal year, mainly due to an increase in accumulation of quarterly profit attributable to owners of parent and issuance of new shares.

Equity attributable to owners of parent per share grew from ¥1,420.37 at the end of the previous consolidated fiscal year to ¥1,489.85, and ratio of equity attributable to owners of parent to total assets was 37.2%, compared with 35.4% 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 ¥23,651 million after deducting payments including corporate taxes from profit before tax and allowances for depreciation, which was an increase of ¥10,775 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 ¥97,578 million, an increase in expenditures of ¥35,853 million compared to the previous third quarter consolidated cumulative period, due primarily to an increase in expenditures resulting from acquisition of businesses and the acquisition of property, plant and equipment.

Cash flows from financial activities for the current third quarter consolidated cumulative period was an inflow of ¥82,283 million, which was an increase of ¥53,231 million compared to that in the previous third quarter consolidated cumulative period , due mainly to proceeds from issuance of new shares and proceeds from short-term borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the current third quarter consolidated cumulative period stood at ¥41,308 million, an increase of ¥16,267 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

The business forecasts for the full fiscal year are unchanged from the business forecasts announced on May 14, 2019.

5. Matters Relating to Summary Information (Other)

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation)

Air Water India Private Limited (hereinafter “AW India”) and the Company have entered into Business Transfer Agreement for AW India to acquire related business of manufacture, sale and distribution of oxygen, nitrogen and argon operated in East India of Praxair India Private Limited, on June 14, 2019, and acquired the business on July 12, 2019. As a result, AW India became consolidated subsidiary.

Based on the Agreement, the Company made an investment in AW India to provide it with the funds necessary for acquiring the business. As a result, AW India is deemed to be our specified subsidiary because the amount of their capital meets 10% or more of that of the Company.