November 7, 2019

Consolidated Financial Results (Under IFRS)
For the Second 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 Six Months Ended September 30, 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	%
Six months ended September 30, 2019	385,351	10.8	22,133	13.6	21,876	13.1	14,463	6.8	12,199	∆7.0	15,873	3.3
Six months ended September 30, 2018	347,711	—	19,475	—	19,336	—	13,541	—	13,119	—	15,364	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	62.27	62.16
Six months ended September 30, 2018	67.11	67.00

(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 September 30, 2019	834,393	302,217	282,673	33.9
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	153.08

(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 September 30, 2019: 198,705,057 shares
  - As of March 31, 2019: 198,705,057 shares
- b. Number of shares of treasury shares
  - As of September 30, 2019: 2,660,760 shares
  - As of March 31, 2019: 2,943,138 shares
- c. Average number of shares during the term
  - First Six months of the fiscal year ending March 31, 2020: 195,912,188 shares
  - First Six months of the fiscal year ended March 31, 2019: 195,484,611 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 Second Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

The Japanese economy in the cumulative first quarter of the current consolidated fiscal year was on a moderate recovery trend thanks mainly to improvement in the employment environment and recovery in consumer spending; however, the sense of uncertainty about the future continued to grow, with export remaining stagnant due to the protracted U.S. China trade dispute and slowdown in the Chinese economy, which also affected the production and investment activities of the domestic manufacturing industry.

Under these circumstances, the results of our corporate group showed steady progress in improving the overall business profitability despite the impact of changes in the external business environment on some of our businesses. Good progress was also made toward achieving our fiscal year business results forecast, including the start of revenue generation from our woody biomass power generation business, in addition to the effects of new consolidation through M&As.

As a result, for the current second quarter consolidated cumulative period, the group's revenue was ¥385,351 million (110.8% that of the corresponding period of the previous year), and operating profit was ¥22,133 million (113.6%). On the other hand, net profit attributable to owners of parent was ¥12,199 million (93.0%), due primarily to the effects of the transfer of the coal chemical business on April 1, 2019.

Effective the current consolidated fiscal year, the classification of reporting segments has been changed. The segment information for the first 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 2019.2Q	YoY Growth	FY 2019.2Q	YoY Growth
Industrial Gas Business	90,653	112.2%	8,891	128.3%
Chemical Business	10,742	94.8%	△68	—
Medical Business	90,534	114.0%	3,719	105.5%
Energy Business	21,262	102.8%	841	127.1%
Agriculture and Food Products Business	70,467	100.6%	2,153	77.7%
Logistics Business	25,193	107.3%	1,261	110.6%
Seawater Business	18,171	104.4%	1,180	135.2%
Other Businesses	58,327	130.9%	2,999	166.9%
（Adjustment）	—	—	1,155	94.6%
Total	385,351	110.8%	22,133	113.6%

(Note) The adjustment to operating profit is due to costs incurred at the company's headquarters division which was not allocated to any reporting segment.

<Industrial gas business>

Revenue of this segment was ¥ 90,653 million (112.2% that of the corresponding period of the previous year) and operating profit was ¥ 8,891 million (128.3%).

In our **gas business**, our on-site gas supply services for steel manufacturers saw an increase in sales volume thanks primarily to the start of operations of a new blast furnace at our main customer's plant. Our on-site gas supply services for electronics applications performed satisfactorily overall thanks to the continued steady operations of our main customers' manufacturing plants. Our liquefied gas supply services via tanker lorries and cylinders performed strongly overall as gas demand continued to remain strong, although performance varied in some regions and among industries. 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 cumulative second quarter, our Indian subsidiary, through which Air Water acquired industrial gas business (East Region Divestment Business) from Praxair India Private Limited, 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.

<Chemical business>

Revenue of this segment was ¥ 10,742 million (94.8% that of the corresponding period of the previous year) and operating loss was ¥68 million (operating profit of ¥551 million for the corresponding period of the previous year).

Despite the continued shut-down of plants in China due to the country's environment regulation, our **functional chemicals business** achieved progress in improving earnings through the streamlining of domestic production bases. However, overall results of the business fell below the corresponding period of the previous year as a result of a decline in sales of our highly-functional circuit products used for industrial robots due to the impact of the U.S.-China trade conflict.

Although sales of its succinic acids and quinone-based agrochemical active ingredients remained strong, **Kawasaki Kasei Chemicals Ltd.** faced difficult conditions due to the impact of inventory devaluation caused by weaker market conditions for phthalic anhydrides and due to a significant decline in sales of naphthoquinone, which is major product, caused by plant shutdowns of customers as a result of the explosion accident at a chemical plant in Jiangsu, China.

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 ¥ 90,534 million (114.0% that of the corresponding period of the previous year) and operating profit was ¥ 3,719 million (105.5%).

Our **medical gas business** performed steadily, due to sustained sales volume of medical gas and an increase in sales volume of carbon dioxide gas.

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 equipment business** grew strongly as a result of sales expansion of our high-pressure oxygen treatment devices and others.

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

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

<Energy business>

Revenue of this segment was ¥ 21,262 million (102.8% that of the corresponding period of the previous year) and operating profit was ¥ 841 million (127.1%).

Although sales in our **LP gas business** was affected by a fall in unit sales prices along with import prices, profits grew steadily thanks to an increase in direct sales customers as a result of the progress made in the acquisition of commercial rights of retailers, in addition to the efforts to increase customers, such as point reward services. LP gas business for industrial use saw an increase in sales volume as a result of sales expansion using tanker lorries operated by our company. The equipment and construction business grew strongly as a result of aggressive sales promotion activities.

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

<Agriculture and food product business>

Revenue of this segment was ¥ 70,467 million (100.6% that of the corresponding period of the previous year) and operating profit was ¥ 2,153 million (77.7%).

In our **farm products and food processing business**, the environment of the business continued to be difficult due to the surge in raw material prices and the rise in logistics and labor costs. In addition to this situation, our ham-delicatessen and sweets sectors were affected by intensified market competition, while our farm products and processing sector, which takes up the cultivation, processing and retail of vegetables was impacted by low market prices of vegetables.

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 caused by low temperature during the peak demand period of summer and also due to the rise in logistics and labor costs.

Our **other businesses** grew steadily, thanks to the last-minute demand before the consumption tax hike in our agricultural equipment sector, although our fruit and vegetable retail sector was affected by low market prices of vegetables.

The effects of new consolidation through M&A implemented in the previous fiscal year are reflected in our farm products and food processing business.

<Logistics business>

Revenue of this segment was ¥ 25,193 million (107.3% that of the corresponding period of the previous year) and operating profit was ¥ 1,261 million (110.6%).

Our **transport business** performed steadily, due to an increase in volume of shipments for construction materials and agricultural feed, especially in the Hokkaido area and the progress made in streamlining delivery through the introduction of a new delivery management system.

Our **3PL (Third Party Logistics) business** centering on food logistics grew satisfactorily, due to the acquisition of new contract delivery service in the Northern Tohoku region and the progress made in price optimization which has been undertaken since the previous fiscal year.

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 ¥ 18,171 million (104.4% that of the corresponding period of the previous year) and operating profit was ¥ 1,180 million (135.2%).

The salt manufacturing business of **Nihonkaisui Co., Ltd.** exhibited strong performance due to the progress made in product price revisions which contributed to the results. Although its environmental business saw a decline in sales volume of magnesium hydroxide, demand related to wastewater treatment remained firm. Also, the company's woody biomass-based power generation business and food product business centering on seaweeds grew steadily.

The magnesia business of **Tateho Chemical Industries Co., Ltd.** grew satisfactorily, due to an increase in sales volume of magnesia for electromagnetic steel plates and as a result of the progress made in price revisions of magnesia for heaters, whose raw material prices were soaring.

<Other businesses>

Revenue of this segment was ¥ 58,327 million (130.9% that of the corresponding period of the previous year) and operating profit was ¥ 2,999 million (166.9%).

Our **aerosol business** saw an increase in volume of contract manufacturing of liquid-filled products including cosmetics following the start of operation of a new plant of the previous year, but was affected by slowdown in demand from China and the rise in logistics and other costs.

Although our **information and electronic materials business** saw a decline in sales of products for overseas due to the impact of the U.S.-China trade conflict, the business remained on a par with that of the same period of the previous year, thanks to a strong growth in sales of products for use in domestic automobile and chemical engineering.

In our **overseas engineering business**, the effect of the consolidation of 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 contributed to the results.

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 this year.

(2) Explanation of financial position for the current period

Total assets at the end of the current second quarter consolidated fiscal year under review stood at ¥834,393 million, an increase of ¥48,449 million compared to the end of the previous consolidated fiscal year primarily due to increases in property, plant and equipment. Liabilities stood at ¥532,176 million, an increase of ¥41,242 million compared to the end of the previous consolidated fiscal year mainly due to increases in bonds and borrowings. Equity stood at ¥302,217 million, an increase of ¥7,207 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.

Equity attributable to owners of parent per share grew from ¥1,420.37 at the end of the previous consolidated fiscal year to ¥1,441.89, and ratio of equity attributable to owners of parent to total assets was 33.9%, compared with 35.4% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the current second quarter consolidated cumulative period was an inflow of ¥18,881 million after deducting payments including corporate taxes from profit before tax and allowances for depreciation, which was an increase of ¥6,378 million compared to that in the previous second quarter consolidated cumulative period.

Cash flows from investing activities for the current second quarter consolidated cumulative period was an outflow of ¥61,848 million, an increase in expenditures of ¥26,161 million compared to the previous second quarter consolidated cumulative period, due primarily to an increase in expenditures resulting from the acquisition of property, plant and equipment and acquisition of businesses.

Cash flows from financial activities for the current second quarter consolidated cumulative period was an inflow of ¥47,443 million, which was an increase of ¥37,568 million compared to that in the previous second quarter consolidated cumulative period , due mainly to proceeds from borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the current second quarter consolidated cumulative period stood at ¥36,637 million, an increase of ¥13,928 million compared to the end of the previous second 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.