November 12, 2020

Consolidated Financial Results (Under IFRS)
For the Second Quarter of the March 31, 2021 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, 2020

(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, 2020	374,423	-2.8	19,561	-11.6	18,825	-13.9	11,758	-18.7	10,710	-12.2	16,896	6.4
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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	47.08	47.02
Six months ended September 30, 2019	62.27	62.16

(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, 2020	896,942	360,254	339,229	37.8
As of March 31, 2020	899,699	351,815	331,992	36.9

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, 2020	—	20.00	—	24.00	44.00
The fiscal year ending March 31, 2021	—	22.00			
The fiscal year ending March 31, 2021 (Forecasts)			—	22.00	44.00

(Note) Changes in forecast of dividends for the fiscal year ending March 31, 2021 from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2021

(% 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	820,000	1.3	50,000	-1.2	48,500	-2.7	29,000	-4.7	128.21

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2021 from the latest disclosure: Yes

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 September 30, 2020: 229,755,057 shares

As of March 31, 2020: 229,755,057 shares

b. Number of shares of treasury shares

As of September 30, 2020: 2,162,896 shares

As of March 31, 2020: 2,362,804 shares

c. Average number of shares during the term

First Six months of the fiscal year ending March 31, 2021: 227,514,825 shares

First Six months of the fiscal year ended March 31, 2020: 195,912,188 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 second Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

Although business activities and consumer spending fell sharply due to the spread of the COVID-19 infection, the Japanese economy in the cumulative second quarter of the current consolidated fiscal year showed a gradual upward trend, thanks to the resumption of economic activities in stages after the lifting of the state of emergency declaration. However, the future of the business environment remains uncertain because the downside risks of the economy is still significant, such as the intensified U.S.-China conflict and any possible prolonged COVID-19 impact resulting from the resurgence of the spread of infection.

In such a business environment, our corporate group maintained stable supply systems for our products, including industrial gas and medical gas, as the lifelines of industries and lives after thoroughly implementing infection prevention measures. To take advantage of the new needs emerged from the “New Normal” brought by the COVID-19 shock as a growth opportunity for the future, we also cultivated markets for gases, equipment, and materials for electronics applications, the demand for which will grow in response to the expansion of telecommuting and advancement of the next-generation communication standard (5G), markets for infection control products to support medical facilities, and markets for home cooking products designed to fulfill stay-at-home needs. We further worked to streamline business operations and reduce costs, by promoting work-style reform throughout the company centering on digitalization.

The results of our corporate group were affected by the COVID-19 infection, including stalled production activities of customers across a range of industries including steel and automobile manufacturing in our industrial gas business, delays and postponements that occurred in its hospital facility construction projects in our medical business, and the impact of activity restrictions placed to prevent the spread of the infection overseas in our overseas engineering business. On the other hand, in addition to the progress made in the structural reform in our chemical business, our energy and logistics business also secured increase in profit. This demonstrates the stability of our optimally balanced business portfolio of industry- and life-related businesses, both of which are our corporate group’s greatest strength, and this stability was exerted as an underlying unshakable strength even in the unprecedented situation of the COVID-19.

To build a powerful business foundation that drives improved profitability and sustainable growth in Japan in the future, we implemented a managerial structural reform, in which the current eight regional business companies were merged into three newly born companies effective October 1 this year.

Our corporate group will continue to work to overcome new challenges in the “with corona society” and seek further corporate growth by taking advantage of the strength of our conglomerate management with various business fields that support people’s lives and living, including industrial gas, medical care & hygiene, energy, agriculture & food products and logistics, and also by utilizing our business foundation which is firmly linked with local communities.

As a result, for the current second quarter consolidated cumulative period, the group’s revenue was ¥374,423 million (97.2％ that of the corresponding period of the previous year), operating profit was ¥19,561 million (88.4％), and profit attributable to owners of parent was ¥10,710 million (87.8％).

2) Consolidated results by segment for this period

（Million yen）

	Revenue		Operating profit	
	FY 2020.2Q	**YoY Growth**	**FY 2020.2Q**	**YoY Growth**
Industrial Gas Business	85,520	94.3%	8,011	90.1%
Chemical Business	14,699	136.8%	576	-
Medical Business	85,606	94.6%	3,059	79.2%
Energy Business	20,797	97.8%	1,079	128.2%
Agriculture and Food Products Business	66,767	94.7%	1,756	81.6%
Logistics Business	26,312	104.4%	1,390	110.3%
Seawater Business	17,629	97.0%	806	68.4%
Other Businesses	57,089	97.9%	1,784	59.5%
（Adjustment）	-	- %	1,096	108.3%
Total	374,423	97.2%	19,561	88.4%

(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 ¥85,520 million (94.3% that of the corresponding period of the previous year), and operating profit was ¥8,011 million (90.1%), partly due to a reactionary decrease resulting from the recording of a gain on sale of land in the same period of the previous fiscal year.

In our **gas business**, our on-site gas supply services to domestic steel manufacturers continued to be in a difficult situation due to a decline in sales volume resulting from the shutdown of our major customers' blast furnaces. Our gas supply services to electronics applications grew steadily as a result of gas supply implemented in stages to respond to the facility expansions and production increases by domestic semiconductor manufacturers. Although our gas supply services via tank lorries and cylinders saw a sharp decline in demand resulting from production adjustments in domestic manufacturing industries in early spring, sales volume was on a moderate recovery path as there were signs of a pick-up in and after the second quarter thanks a recovery in the automotive industry. Sales of our carbon dioxide gas and dry ice was affected by a significant increase in supply costs due to a decrease of raw material gas caused by lower refinery operations.

Our **equipment and construction-related business** grew strongly in terms of profit thanks to expansion in sales of highly accurate heating and cooling parts for semiconductor manufacturing equipment and special material supply devices for electronics applications, despite the impact of a partial postponement of facility investments at our customers' plants.

In our **overseas business**, our main Indian business remained at a level above the initial forecast. Despite the lockdown (the closure of cities) from March, business grew steadily, including on-site gas supply services to steel manufacturers, which maintained a high operating rate in tandem with buoyant crude steel production, gas supply services via tank lorries and cylinders, which saw a rapid recovery in demand from construction and automotive sectors in and after July, and sales of medical gas, for which the demand also increased.

<Chemical business>

Revenue of this segment was ¥14,699 million (136.8% that of the corresponding period of the previous year), and operating profit was ¥576 million (operating loss was ¥ 68 million in the same period of the previous year).

Our **functional chemicals business** achieved progress in expanding sales of electronics materials thanks to an increase in new applications to displays. The business was also contributed to by the effects of the new consolidation of FILWEL Co., Ltd., which saw strong sales of precision polishing pads thanks to the growing hard disk drive demand from data centers, and of Daito Chemicals Co., Ltd., a leading domestic sodium acetate manufacturer.

Although **Kawasaki Kasei Chemicals Ltd.** was affected in terms of sales, by a decline in market prices and sales of phthalic anhydrides, the business remained steady in terms of profit, thanks to a recovery in sales of naphthoquinone and an increase in sales of succinic acids used for bath salts.

<Medical business>

Revenue of this segment was ¥85,606 million (94.6% that of the corresponding period of the previous year), and operating profit was ¥3,059 million (79.2%).

Our **facility business** has been working to develop a medical care delivery system with reduced infection risks focused on sales of remote medical-care support systems and simple depressurizing apparatuses, but was affected by postponements and revisions of operating rooms and other hospital facility construction projects and of maintenance and inspections. The construction suspension in Singapore due to infection prevention measures also had an impact, and a result, the results fell significantly below that of the same period of the previous fiscal year. Our **medical gas business** saw a decline in sales volume due to the remaining impact of refraining from visiting medical institutions and a decline in the number of operations, although demand has been on a recovery trend since June. For the same reason, our **medical treatment services** also saw a decline in the volume of services provided via SPD (Supply, Processing and Distribution management for hospitals). Our **medical equipment business** saw an increase in sales of infection control products such as ultraviolet radiation disinfection devices. Our **home medical care services** grew steadily, due an increase in the number of new patients who chose to receive medical care at home in order to avoid in-hospital infections.

Our **hygiene products business** performed steadily, due to an expansion in sales of masks and hand sanitizers to a broad range of customers, including medical institutions, leading mass retailers and drugstores in response to the growing demand for infection control products. In our **other businesses**, our equity method affiliate Ci Medical Co., Ltd. saw a favorable growth due to an increase in sales of infection control products to dentists, mostly via mail order.

<Energy business>

Revenue of this segment was ¥20,797 million (97.8% that of the corresponding period of the previous year), and operating profit was ¥1,079 million (128.2%).

Our **LP gas business** saw a decline in the total sales volume due to a decline in demand for LP gas for commercial use for restaurants and hotels and for industrial use. The business was affected in terms of sales because sales prices remained low in tandem with import prices. On the other hand, the business remained robust in terms of profit, thanks to an increase in per-capita unit consumptions in LP gas for consumer use, driven by stay-at-home demand, and also due to a higher direct sales ratio as a result of activities to increase customers and the acquisition of commercial rights of retailers. Sales of equipment and construction services decreased due to cancellations of events such as exhibitions and spot sales. Our LP gas wholesale business in Vietnam, which we acquired through M&A in the previous consolidated fiscal year, grew steadily.

Our **natural gas business** saw steady growth in sales of LNG transport and supply equipment due to the increasing environmental awareness with an eye toward the transition to a low-carbon society.

<Agriculture and food products business>

Revenue of this segment was ¥66,767 million (94.7% that of the corresponding period of the previous year), and operating profit was ¥1,756 million (81.6%).

Our **farm products and food processing business** for the first quarter was affected by a sharp decline in demand from restaurants, hotels and school lunch due to the impact of the voluntary ban on leaving home. Although the commercial food demand is on a recovery trend since then, it still falls below the previous year's levels.

Our ham/delicatessen sector minimized the impact of the fall in demand for commercial-use products through the development of takeout and home-delivery products and by placing focus on the sales of fully-cooked products and frozen vegetables, according to the change of a life style to refrain from leaving home. Our farm products and food processing business faced difficult conditions due to the temporary suspension of plant operations caused by the disposal of agricultural product stocks from the previous year's good harvest and a decline in demand for commercial-use products. Our sweets sector grew steadily due to progress in production improvements to capture stay-at-home demand.

Our **beverage business** saw a significant fall in volume of contract manufacturing due to the impact of the voluntary ban on leaving home, but the influence was partially offset by the growth in sales of vegetable drinks and vegetable milk driven by the increasing health consciousness.

In our **other businesses**, although our fruit and vegetable retail sector was affected by stores' shorter operating hours and closures, the results exceeded the previous year's levels in terms of profit through the improvement of store operating earnings. Our agricultural equipment sector was affected by a reactionary decline from the special demand before the consumption tax increase in same period of the previous fiscal year.

<Logistics business>

Revenue of this segment was ¥26,312 million (104.4% that of the corresponding period of the previous year), and operating profit was ¥1,390 million (110.3%).

Although our **transport business** saw a decline in volume of shipments, particularly those of automobiles and construction materials, due to the stagnation of economic activities, the impacts were offset by the contribution of cost improvement associated with a fall in diesel oil prices. Also, we acquired KATSURA COMMERCE Co., Ltd., a western Japan-based transport and warehouse operator through M&A and newly included it in the scope of consolidation.

Our **3PL (third party logistics) business** centering on food logistics performed favorably, thanks to an increase in volume of shipments for supermarkets due to the voluntary ban on leaving home, and the contribution of improved operations of low-temperature logistics centers, and as a result of the offsetting of a rise in labor costs through the optimization of contract service fees.

Our **vehicle custom installation business**, which carries out design of truck bodies and installation of accessories, performed steadily, by capturing repair and replacement demand.

<Seawater business>

Revenue of this segment was ¥17,629 million (97.0% that of the corresponding period of the previous year), and operating profit was ¥806 million (68.4%).

Our **seawater business** saw a decrease in profit, due to a decline in demand for commercial salts for restaurants and food processing, and also because of a large-scale periodical repair implemented in our Sanuki plant. Our environment business remained on a par with the previous fiscal year, as sales of READ (Rare Earth ADsorbent) adsorbents offset a decline in sales of magnesium hydroxide used for flue-gas desulfurization. The business also saw an increase in orders received for water treatment systems and sewage pipe rehabilitation from local governments. Our **power generation business** was affected by a decrease in the number of operating days due to a periodic repair carried out on a biennial basis at the Onahama power plant of our equity method affiliate Summit Onahama S Power Corporation.

Our **magnesia business** saw a decline in sales of magnesia for ceramic engineering for refractories due to a decrease in crude steel production and a fall in prices of raw materials from China. The business remained steady in terms of profit due to the sales of magnesia for grain-oriented electromagnetic steel plates which remained unchanged from the previous year, and also due to progress made in improving profitability thanks to a fall of prices of raw materials for fused magnesia used for heaters.

<Other businesses>

Revenue of this segment was ¥57,089 million (97.9% that of the corresponding period of the previous year), and operating profit was ¥1,784 million (59.5%).

Our **aerosol business** performed strongly thanks to an increase in contract manufacturing of alcohol-based sanitizing agents, the demand for which rose as an infection preventive measure, despite a decline in the contract OEM manufacturing of cosmetics.

Our **information electronics materials business** fell below that of the same period of the previous year, because sales of materials for in-vehicle parts remained sluggish both in Japan and overseas.

Our **overseas engineering business** saw a recovery trend in demand for industrial gas equipment in our main U.S. market, but was affected by a lower plant-operating rate as a result of infection prevention measures taken by the Malaysian government. Our high power UPS (uninterrupted power supply systems) sector faced difficult conditions due to delays in customers' investment plans and ongoing projects caused by the impact of the stalled economic activities in countries including Singapore and in Europe.

In our **other businesses**, stable operations continued at our woody biomass-coal mixed firing power plant (Hofu-shi, Yamaguchi Prefecture) in our power generation business, but the results fell below that of the previous year in terms of profit because of the scheduled suspension of operations associated with a periodical inspection. Matsuo Holdings K.K., which engages in construction and civil engineering in Kitakyushu, was affected by a decrease in the number of construction projects.

(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 ¥896,942 million, a decrease of ¥2,757 million compared to the end of the previous consolidated fiscal year due primarily to decreases in trade and other receivables. Liabilities stood at ¥536,687 million, a decrease of ¥11,196 million compared to the end of the previous consolidated fiscal year due mainly to decreases in trade and other payables. Equity stood at ¥360,254 million, an increase of ¥8,439 million compared to the end of the previous consolidated fiscal year, mainly due 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 ¥1,460.00 at the end of the previous consolidated fiscal year to ¥1,490.51, and ratio of equity attributable to owners of parent to total assets was 37.8％, compared with 36.9％ 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 ¥38,808 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was an increase of ¥19,927 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 ¥32,487 million, which was a decrease in expenditures of ¥29,360 million compared to the previous second quarter consolidated cumulative period, due mainly to a decrease in expenditures resulting from purchase of property, plant and equipment, purchase of investment securities and acquisition of businesses, despite a decrease in proceeds resulting from the recording of proceeds from sale of businesses in the same period of the previous fiscal year.

Cash flows from financial activities for the current second quarter consolidated cumulative period was an outflow of ¥12,760 million, which was an increase in expenditures of ¥60,204 million compared to that in the previous second quarter consolidated cumulative period, due mainly to an increase in expenditures resulting from dividends paid and repayments of borrowings, despite an increase in 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 ¥36,484 million, a decrease of ¥152 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

With respect to future prospects, although many destabilizing factors still remain, such as downside risks in overseas economies including the intensification of the U.S.-China confrontation, the Japanese economy is expected to see a gradual increase in export, as firm domestic demand is maintained. The impact of the spread of the COVID-19 is expected to last for some time; however, it is estimated that the global economy will track a moderate recovery path by achieving both infection prevention measures and economic activities.

Based on the business environment surrounding our corporate group under these circumstances, it is expected that, in addition to an expansion in demand for infection control products such as hygiene products, our entire businesses including our industrial gas and agriculture & food products businesses, will recover earlier than the assumptions made in the consolidated results forecast ending March 31, 2021 published in May this year. In addition to this, the cost reduction effects are also expected to continue as a result of the work-style reform including the introduction of telecommuting.

For these reasons, based on the results for the first half and the present robust business environment, we decided to revise our original forecast.

Changes and differences from the full-year consolidated results forecast announced in our "First Quarter Consolidated Financial Results ending March 31, 2021" dated August 8, 2020 are as follows:

	Revenue	Operating profit	Profit before tax	Profit attributable to owner of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	810,000	46,000	45,000	27,000	118.69
Revised forecast (B)	820,000	50,000	48,500	29,000	128.21
Difference (B-A)	+10,000	+4,000	+3,500	+2,000	-
Ratio (%)	+1.2	+8.7	+7.8	+7.4	-
(Reference) FY2019 Actual (Apr. 1, 2019 - Mar. 31, 2020)	809,083	50,616	49,830	30,430	147.43