May 11, 2018

FY2017 Consolidated Financial Results (Japanese Accounting Standards)

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

1. Results for FY2017 (The year ended March 31, 2018)

(1) Consolidated operating results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	753,559	12.4	42,398	2.6	44,691	8.3	25,173	12.7
FY2016	670,536	1.5	41,341	4.6	41,251	17.6	22,337	10.9

(Note) Comprehensive income: 27,711 million yen (-6.5%) for FY2017, 29,622 million yen (82.8%) for FY2016

	Net income per share	Fully diluted net income per share	Net income to equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2017	128.95	128.72	9.4	6.8	5.6
FY2016	114.53	114.30	9.1	6.8	6.2

(Reference) Equity in earnings of non-consolidated subsidiaries and affiliates:
676 million yen for FY2017, -1,292 million yen for FY2016

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2017	694,914	294,644	40.0	1,422.60
FY2016	629,115	280,750	40.7	1,312.55

(Reference) Shareholder's equity: 277,954 million yen for FY2017, 255,983 million yen for FY2016

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2017	47,764	-61,637	4,489	22,433
FY2016	58,873	-44,357	-8,553	30,412

2. Dividends

	Dividend per share					Total amount	Dividend payout ratio	Net dividend rate
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2016	—	14.00	—	20.00	34.00	6,670	29.7	2.7
FY2017	—	17.00	—	21.00	38.00	7,458	29.5	2.8
FY2018 (Forecasts)	—	19.00	—	19.00	38.00		26.5	

3. Forecast of consolidated operating results for FY2018 (The year ending March 31, 2019)

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018 (1st half)	380,000	5.9	18,500	4.8	19,300	2.9	11,000	0.8	56.30
FY2018 (Full year)	820,000	8.8	48,500	14.4	50,000	11.9	28,000	11.2	143.31

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, changes in accounting estimates and restatement
a. Changes in accounting policies arising from revisions of accounting standard: None
b. Changes in accounting policies other than (a): Yes
c. Changes in accounting estimates: None
d. Restatement: None

(3) Number of shares outstanding (ordinary shares)
a. Total number of shares outstanding (including treasury shares)
As of March 31, 2018: 198,705,057 shares
As of March 31, 2017: 198,705,057 shares
b. Number of shares of treasury shares
As of March 31, 2018: 3,320,506 shares
As of March 31, 2017: 3,677,306 shares
c. Average number of shares during the term
Year ended March 31, 2018: 195,217,525 shares
Year ended March 31, 2017: 195,028,863 shares

(Reference) Non-consolidated financial results
1. Results of non-consolidated operations for FY2017 (The year ended March 31, 2018)
(1) Non-consolidated operating results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	167,782	5.2	2,181	-51.0	15,452	-4.1	11,855	-39.1
FY2016	159,480	-11.0	4,453	14.1	16,110	17.9	19,479	103.9

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY2017	60.73	60.62
FY2016	99.88	99.67

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2017	377,153	168,400	44.5	859.95
FY2016	351,367	163,373	46.4	835.74

(Reference) Shareholder’s equity: 168,021 million yen for FY2017, 162,992 million yen for FY2016

* This report is exempt from audit 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-(4) Outlook for the next fiscal year”.

４. **Summary of operating results**

(1) Explanation of operating results

1) Operating results for the current period

The Japanese economy in the current consolidated fiscal year was on a gradual recovery trend, with further improvements in the employment and income environment and steady performance in consumer spending and corporate capital investment. With regard to overseas economies, although concern due to the U.S. trade policy responses and increasing geopolitical risks in some countries and regions still exists, the U.S. and European economies performed strongly, and economies in China and other emerging countries in Asia also showed continued moderate recovery.

In such a business environment, each business segment of our corporate group steadily promoted various implementation measures set out in our three-year mid-term business plan "NEXT-2020 Ver. 3," which is currently in its second year of implementation, by placing the wheels of "structural reform of existing businesses" and "growth strategies through M&A" on the axle of our growth strategies. Also, we reorganized our business portfolio including the establishment of a new logistics company, and reinforced our regional business strategies, with focus placed on assigning regional representative directors to maximize the group's comprehensive strength through the fusion of our group's diverse range of business bases and functions of our eight regional business companies across the country. Further, as a measure to foster new businesses, we steadily implemented initiatives to strengthen our electricity generation business and overseas strategies.

With regard to results for this consolidated fiscal year, our industrial gas business saw strong performance in its regional gas businesses which center on gas supply service using tanker lorries and cylinders, backed by continued steady gas demand from a broad range of domestic manufacturing sectors, but the results remained at the same level as in the previous year due to the rise in electricity prices and also because of the impacts of fluctuations in operations on our on-site gas supply service to blast furnaces caused by facility problems at our customers' plants.

On the other hand, in addition to satisfactory performance in our medical business which is positioned as a future growth area and have been expanded through aggressive M&As and also in our agriculture and food product business, the strong performance in each of the businesses that constitute our other business segment drove overall expansion of results, which demonstrated the strength of our group's management strategies of "All-Weather Management System" and "Order Rodentia Style of Business." Our chemical business, which had been suffering from sluggish performance, particularly in the tar distillation business until the previous fiscal year, saw further improvement in results due to a recovery in market conditions of our products and progress made in the structural reform of the functional chemicals sector.

As a result, for the current consolidated fiscal year, the group's sales were ¥753,559 million (112.4% that of the previous year), operating income was ¥42,398 million (102.6%), ordinary income was ¥44,691million (108.3%) and net income attributable to shareholders of the parent was ¥25,173 million (112.7%)

2) Consolidated results by segment for this period

Due to changes in the structure of our group's organization, our "Logistics Business," which was previously included in our "Other Businesses," is now separately presented as a reporting segment, effective the first quarter consolidated cumulative accounting period.

Also, the business results management segments were changed, so that Air Water Materials Inc. and other eight companies, which were previously classified under "Industrial Gas Business," have been re-classified into "Other Businesses."

Financial profit and loss including funding costs, which were previously presented in each segment, have collectively been recorded as "Adjustments."

The segment information for the previous year's consolidated cumulative period has been revised in accordance with the above new reporting segment classification and calculation method.

(Million yen)

	Net Sales		Ordinary income	
	FY 2017	**YOY Growth**	**FY 2017**	**YOY Growth**
Industrial Gas Business	159,250	99.4%	16,170	99.4%
Chemical Business	67,984	110.8%	1,854	-
Medical Business	170,897	131.5%	10,317	112.5%
Energy Business	51,459	114.3%	3,936	100.4%
Agriculture and Food Products Business	133,702	112.9%	4,850	118.1%
Logistics Business	44,933	105.9%	1,888	83.5%
Other Businesses	125,331	110.7%	8,213	107.8%
(Adjustment)	-	-	-2,541	-
Total	753,559	112.4%	44,691	108.3%

(Note) The adjustments to ordinary income are due to costs incurred at the company's headquarters division and R&D division, and profit/loss from financial operations, which were not allocated to any reporting segment.

<Industrial Gas Business>

In our industrial gas business, our regional gas business centering on gas supply services via tanker lorries and cylinders performed strongly as a whole due to continued steady gas demand across a broad spectrum of domestic manufacturing industries, including steel, chemical, automobile and construction-related sectors, and also because of the successful result of our "VSU" strategy to cultivate domestic gas businesses by strengthening the alliances of our eight regional companies across Japan with leading regional partners focusing mainly on the enhancement of gas production hubs using "VSU", a highly efficient and compact liquefied oxygen and nitrogen co-production plant. This consolidated fiscal year also saw the start of operation of the 15th "VSU" with the replacement of our Utsunomiya plant and the start of the new construction of the 16th unit in Iwate Prefecture.

Sales of our gas application equipment, the dry ice snow precision cleaning system "QuickSnow," grew backed by favorable performance in electronics-related industries, and our on-site gas supply services for electronics applications also performed steadily, thanks to a higher operating rate at our customers' plants.

On the other hand, our on-site gas supply service to blast furnaces, which are our largest source of demand, has faced difficult conditions due to the impact of fluctuations in the operations of our customers' plants caused by facility problems which lasted until the third quarter. Also, industrial gas production costs increased due to the rise in electricity prices.

In our engineering related business, we augmented business areas for our gas purification systems and flue-gas treatment systems through M&A's and strengthened our engineering business overseas as a strategic move toward full-scale overseas expansion in the field of the industrial gas business.

As a result of the above, sales of this segment were ¥159,250 million (99.4% that of the previous fiscal year) and ordinary income was ¥16,170 million (99.4%).

<Chemical Business>

In our coal chemical business, the volume of coke oven gas processing was below the level of the previous year, but net sales increased due to the rise in refined gas prices caused by fluctuations in market conditions. Although sales volume of crude benzene, which is our mainstay basic chemical product, decreased due mainly to the impact of the reduction in steel production, sales of our carbon materials and fine chemicals performed satisfactorily, offsetting the negative impacts on profits. Our tar distillation business operated by C-Chem Co., Ltd., which had been our equity-method affiliated company, saw further improvement in business environment, due to recovery in product market conditions, thanks to tightened supply-demand conditions for needle coke used for electric furnace electrodes.

Our fine chemicals business improved to exhibit strong performance, due to improvements in earnings as a result of the closedown of underperforming facilities and also because of growth in sales of highly-functional circuit products used for industrial robots. Kawasaki Kasei Chemicals, a company of our corporate group, exhibited satisfactory performance as a whole, due to a significant expansion in sales of naphthoquinone and its derivatives which have been commercially produced only by this company in the world for applications in agrochemical raw materials and photosensitizers, and also because of recovery in sales of, and improvement in export market conditions for phthalic anhydrides used mainly for plasticizers.

As a result of the above, sales of this segment were ¥67,984 million (110.8% that of the previous fiscal year) and ordinary income was ¥1,854 million (an ordinary loss of ¥682 million for the previous fiscal year).

<Medical Business>

Our advanced medical treatment sector performed steadily due mainly to cost reductions despite decline in the number of large-scale projects and difficult market environment for facility construction including operating room construction. In our medical treatment service which supports the streamlining of hospital management, our SPD (supply, processing and distribution management for hospitals) service improved to exhibit strong performance due to new orders received for large-scale projects and progress made in improving earnings through the streamlining of SPD center operations and reduction in procurement prices. Our sterilization services performed satisfactorily through the establishment satellite hubs across the country and as a result of our efforts to expand our contract services and revise unit contract prices. Sales of our medical gases also exhibited strong performance due to an increase in sales volume our medical use oxygen through the acquisition of new client hospitals.

In the field of "medical treatment in everyday life" to provide products and services with close connection to people's lives, our home medical care services grew favorably, and each of our dental product and hygiene product businesses grew steadily, as well.

In our businesses overseas, our hypodermic-needle business grew steadily, due to the expansion of its sales channels to overseas owing to M&A and as a result of efforts to promote process improvement and investment in facilities aimed at improving productivity. In addition, Singapore's hospital interior and facilities construction companies, GLOBALWIDE INTERNATIONAL PTE. LTD. and GLOBALWIDE M&E PTE. LTD., both of which we acquired through M&A, also contributed to the results.

As a result of the above, in the consequence of new consolidation brought by M&A implemented in the previous fiscal year, sales of this segment were ¥170,897 million (131.5% that of the previous fiscal year) and ordinary income was ¥10,317 million (112.5%).

<Energy Business>

Sales volume of our LP gas and kerosene showed a healthy growth, because unit sales prices rose in tandem with contract prices (CPs) which is used as a benchmark for import prices, and also as a result of our efforts to focus on aggressive measures to increase volume and customers. However, in terms of profits, results remained at the level as in the previous year.

Key initiatives we worked on to increase sales volume and customers included efforts to increase the number of clients and improve the direct sales ratio through the acquisition of commercial rights and a point awarding service for household users called "L-Den Points" which was newly launched in addition to the "WAON" point service through the alliance with Hokkaido Electric Power Co., Inc. to expedite the acquisition of new customers. As for LP gas for industrial use, we strengthened supply systems by newly deploying LPG tanker lorries operated by our company in target areas of the Honshu Island and by cooperating with regional business nationwide to promote fuel switch from heavy oil to LP gas for customers in the field of industrial gas.

Other than LP gas and kerosene, replacement construction for LP gas-related equipment such as hot-water supply systems and GHPs (gas heat pumps) grew satisfactorily as a result of the strengthening of sales promotional activities through the "Hello Gas Big Autumn Appreciation" event which celebrated its 30th anniversary, and the receiving of orders for our LNG tanker lorries that utilize our cryogenic technology cultivated in the field of industrial gas progressed as scheduled.

As a result of the above, sales of this segment were ¥51,459 million (114.3% that of the previous fiscal year) and ordinary income was ¥3,936 million (100.4%).

<Agriculture and Food Products Business>

While our farm products business was affected by shortages in shipped products and surge in prices due to unseasonable weather, there were also situations in summer where prices remained stagnant as a result of good weather conditions. In such circumstances, the impacts of these situations were offset by efforts to improve efficiency and productivity in the field of farm products processing and by good growth in sales and maintenance service of our agricultural machines and tools, in which the company holds a large market share in Hokkaido.

In our food product solutions business, although our sweets sector faced difficult conditions due mainly to the rise in manufacturing costs, our ham and sausage sector saw growth in sales of its mainstay uncured ham and progress in cost reduction including the centralization of raw materials procurement and logistics optimization. In addition to an increase in sales of our frozen vegetables including broccoli in our processed food sector, there were improvements in productivity due mainly to investments in facility replacements made in past fiscal years, and as a result of these, our food solutions business overall remained almost the same as in the previous year.

Our beverage business performed satisfactorily, due to growth in sales of vegetable drinks throughout the year led by higher health consciousness and also because of growth in sales of hot tea and coffee beverages even during the off-peak demand period in winter, thus driving expansion in results of the overall agriculture and food products business.

As a result of the above, sales of this segment were ¥133,702 million (112.9% that of the previous fiscal year) and ordinary income was ¥4,850 million (118.1%).

<Logistics Business>

Our 3PL (Third Party Logistics) business centering on food logistics saw significant expansion in both volume and area of shipment for deliveries to major convenience store chains due to an increase in volume of product shipment and the opening of logistics hubs to start contract deliveries in new areas. Our transport business which handles general cargo shipment worked to strengthen its regional businesses and trunk line transport service through aggressive investments in facilities, such as the establishment of two new hubs in the Honshu area.

On the other hand, due to the persistently difficult business environment affected by cost increases such as an increase in delivery costs resulting from driver shortages and the rise in labor costs and diesel fuel prices, efforts were made to optimize shipping charges for customers.

Our vehicle custom installation business, which carries out design of truck bodies and installation of accessories, grew satisfactorily, due mainly to an increase in the number of trucks and trailers sold as a results of the continued investments in facilities including building extension and manufacturing line updates which produced successful results.

As a result of the above, sales of this segment were ¥44,933 million (105.9% that of the previous fiscal year) and ordinary income was ¥1,888 million (83.5%).

<Other Businesses>

Among our seawater businesses, our salt manufacturing business grew steadily, due to expansion in our environmental sector including the READ adsorbent business as well as in our water treatment equipment sector, although the salt processing sector was affected by the rise in costs for power energy of our plant. Our magnesia business performed strongly, due to progress made in expanding sales of magnesia for electromagnetic steel plates used for power transformers of electrical infrastructure and also due to an increase in sales of our magnesia ceramics which are offered for use in industrial heaters and MI (mineral insulated) cables, although the business was affected by the surge in raw materials for fused magnesia used for heaters against the backdrop of tighter environmental regulations in China.

Our aerosol business, which provides OEM supply of aerosol products, exhibited strong performance due to a significant increase in orders for personal products for use on human body such as cosmetics and UV protect spray on the back of an expansion in inbound and outbound demand, although the business was affected by the rise in manufacturing costs including can manufacturing materials.

Our information and electronics materials business, which procures and sells basic chemical agents and electric and electronic materials, grew well due to an increase in sales of electric and electronic materials for electronics and automobile applications. Our O-ring business which manufactures and sells machine sealing parts performed satisfactorily due to a significant increase in demand for the products used for semiconductor manufacturing equipment and industrial machines.

As a result of the above, sales of this segment were ¥125,331 million (110.7% that of the corresponding period of the previous year) and ordinary income was ¥8,213 million (107.8%).

(2) Summary of financial position for the current period

Total assets at the end of the consolidated fiscal year under review stood at ¥694,914 million, an increase of ¥65,798 million compared to the end of the previous consolidated fiscal year due primarily to increases in notes and accounts receivable, and tangible fixed assets. Liabilities stood at ¥400,269 million, an increase of ¥51,904 million compared to the end of the previous consolidated fiscal year due mainly to increases in notes and accounts payable, and borrowings. Net assets stood at ¥294,644 million, an increase of ¥13,894 million compared to the end of the previous consolidated fiscal year, mainly due to an increase in accumulation of quarterly net income attributable to shareholders of the parent, despite such factors as a decrease in non-controlling interests.

Net assets per share grew from ¥1,312.55 at the end of the previous consolidated fiscal year to ¥1,422.60, and the equity ratio changed from 40.7 % at the end of the previous consolidated fiscal year to 40.0 %.

(3) Summary of cash flow for the current period

Cash flows from operating activities was an inflow of ¥47,764 million after deducting payments including corporate taxes from net income before taxes and other adjustments for the term and allowances for depreciation, which was a decrease of ¥11,108 million compared to that in the previous consolidated fiscal year.

Cash flows from investing activities was an outflow of ¥61,637 million, an increase in expenditures of ¥17,279 million compared to the previous consolidated fiscal year, due primarily to an increase in expenditures resulting from the acquisition of tangible fixed assets. As a result, free cash flow decreased ¥28,388 million from the previous consolidated fiscal year to an outflow of ¥13,872 million.

Cash flows from financial activities was an inflow of ¥4,489 million compared to the outflow of ¥8,553 million in the previous consolidated fiscal year, due mainly to proceeds from the issuance of corporate bonds, despite dividend payments.

As a result of the foregoing, cash and cash equivalents at the end of the consolidated fiscal year stood at ¥22,433 million, a decrease of ¥7,978 million compared to the end of the previous consolidated fiscal year.

(4) Outlook for the next fiscal year

With regards to the outlook for the future, a moderate growth trend is expected to continue in both the domestic and world economy. However, continued attention needs to be paid to the destabilization of trade policies spurred by the U.S. and there are also concerns about the interest rate hike in the U.S. In Japan, the situation still remains uncertain due to increases in material and logistics costs resulting from the rise in prices of natural resources, and also because of the possibility that higher labor cost will cause downward pressure on corporate earnings.

In such a business environment, as our corporate group has entered the final year of its three-year mid-term management plan “NEXT-2020 Ver. 3,” we will strive to achieve further corporate growth and link this growth to our new mid-term management plan which will start next fiscal year, by continuing to steadily implement various measures that are based on the three basic policies set out in the current mid-term management plan, ((1) “Pursuit of ultimate solution services and realization of innovation, ” (2) “Strengthening of corporate structure by implementing structural reform,” (3) “Challenges towards issues for post 2020”) in each of our business fields.

Regarding the outlook by segment, our industrial gas business is expected to see strong gas demand from a broad range of domestic manufacturing industries led by electronics applications and followed by steel, chemical, automobile and construction-related sectors. Our corporate group will continue to enhance gas production bases and cylinder gas filling stations and work to cultivate the domestic gas business by strengthening relationships with key regional partners. We will also thoroughly advance our efforts to improve the cost of sales ratio, including comprehensive review of logistics costs and work to strengthen our engineering business overseas centering on our corporate group including overseas subsidiaries owing to M&A.

In our chemical business for which product market conditions are improving due to the rise in crude oil prices, we will implement a structural reform in the functional chemicals field including fine chemicals and carbon materials centering around Kawasaki Kasei Chemicals Ltd. which offers a product line with special features including naphthoquinone and has stable business base as a chemical company and thereby promote a shift to a business structure capable of continually generating stable earnings as a functional chemicals manufacturer.

With regard to our “coal chemical business” among our chemical-related businesses, we decided to transfer this business to NIPPON STEEL & SUMITOMO METAL CORPORATION and NIPPON STEEL & SUMIKIN CHEMICAL Co., LTD. effective April 1, 2019, about a year later, based on the judgement that the coal chemical business tends to be greatly impacted not only by product market conditions and changes in supply and demand, but also by the operational status of steel plants in terms of raw materials procurement, and the degree of the impact of these changes in the business environment on our overall results is substantial for a corporate group of this business scale, and that it will be very difficult to promote a structural reform at our company’s independent judgment. In connection with the business transfer, C-Chem Co., Ltd. a joint-venture with Nippon Steel & Sumikin Chemical and our company operating tar distillation business was made a wholly-owned subsidiary of Nippon Steel & Sumikin Chemical Co., Ltd. effective April 6, 2018 and therefore the joint venture was dissolved. This excluded C-Chem Co., Ltd. from the scope of equity method at the end of this consolidated fiscal year.

With regards to our medical business, as the movement for holding down medical costs advances among medical institutions including hospitals, we will strengthen our business base which involves businesses for medical institutions, such as facility construction, medical equipment and outsourcing contract of hospital service, while focusing on the expansion of business areas to the field of “medical treatment of everyday life,” which has a strong growth potential in the future combined with the advancement of aging society. We will also optimize our functions of subsidiaries and management resources in business areas that are rapidly expanding after M&As and promote restructuring among subsidiaries to further improve productivity and streamline business operations.

With regard to our energy business, although the business environment surrounding LP gas for consumer use is becoming increasingly severe due to population decline and competition with all-electric homes, we will continue to implement various measures to increase sales volume and customers, including the expansion of customer service, in addition to the improvement of the direct cost sales ratio through the buyout of commercial rights, and will focus on fuel switch to LP gas for industrial use through further cooperation with our eight regional business companies across the country to firmly maintain steady business growth.

With regard to our agriculture and food products business, in order to reduce the impact of extreme weather fluctuations on our farm products business, we will work to decentralize production areas of farm products to ensure the procurement of raw materials and focus on cost reductions to respond to the rise in labor and logistics costs through partial restructuring of the business and group purchasing of materials among subsidiaries. In our sweets business, taking the opportunity of the start of operation the new plant for which the construction is underway in Atsugi City, Kanagawa Prefecture, the streamlining of production will be promoted.

With regard to our logistics business, in order to deal with driver shortages and resulting rise in delivery costs as well as an increase in labor costs associated with warehouse work, various initiatives will be promoted to improve operations and optimize shipping charge for customers. Integration of logistics within our corporate group will also be promoted to further strengthen business cooperation through logistics operation, and aggressive expansion of the business including investment in facilities will continue to be promoted with focus placed on low-temperature logistics, where the market growth is expected to continue into the future.

With respect to the next fiscal year forecast, we forecast sales of ¥820,000 million (108.8% that of the previous year), operating income of ¥48,500 million (114.4%), ordinary income of ¥50,000 million (111.9%) and net income attributable to shareholders of the parent of ¥28,000 million (111.2%) for the fiscal year ending March 31, 2019.

(5) Basic policy regarding the profit distribution and payment of dividends for FY2017 and FY2018

While our company works on reinforcing the management base to continuously improve our corporate value, we also place a high priority on returning profits to our shareholders as one of the most important tasks for businesses. For this reason, we make it a policy to maintain a stable dividend in line with business results aiming at a dividend payout ratio of 30% of our net income for this fiscal year attributable to shareholders of the parent while taking into consideration sufficient retained earnings necessary for strategic investments for mid- and long-term growth.

For fiscal year 2017, a year-end dividend is ¥21 per share to achieve the target payout ratio set in this basic policy. As a result, a dividend for the current year is ¥38 per year, including the interim dividend of ¥17 per share.

For fiscal year 2018, we plan to pay a dividend of ¥38 per year, which is the sum of interim and year-end dividends of ¥19 per share each.

5. Management guidelines

(1) Basic management policy

The Air Water Group adopts the following management policy: “We dedicate ourselves and our resources backed by the entrepreneurial spirit and pride in creation and development of business linking air, water, earth and humans.”

The starting point of the Air Water Group’s business is found in our name: “Air” and “Water.” It is our corporate group’s mission to make use of resources from this invaluable earth to create businesses and contribute to society and people’s lives. In a business environment that continues to change at a dizzying pace, we will continue to leverage the Group’s collective capacities and work to provide highly diverse products and services that benefit society’s development while fulfilling our responsibilities to all stakeholders.

(2) Medium- to long-term management strategies

In order to establish an “all-weather type” management system that makes it possible to achieve stable growth under any management environment, our corporate group is advancing diversification and the strengthening of earning capacity. By growing “industrial businesses” such as industrial gas and chemical businesses and “daily life businesses” such as medical, energy and agriculture and food products businesses in a well-balanced manner, we will form a business portfolio which is resistant to fluctuations of the management environment to achieve sustainable growth. Also, together with this “All-Weather Management System,” we will organically interconnect highly profitable diversified business groups to achieve sustainable corporate growth by generating medium-sized and small- to medium-sized companies that has dynamism to agilely respond to changes in the business environment and cultivate new fields and new businesses in a flexible manner like “rodents.” Our corporate group calls this type of management model the “Order Rodentia Style of Business” by likening it to “rodents” which are said to be the oldest mammal on the earth that has high life-force energy and adaptability to environment.

Our corporate groups considers it crucial to rotate the two wheels of “structural reform of the existing businesses” and “growth strategy through M&As” for the future growth and development of our corporate group. We position our industrial gas chemical and energy businesses as a business group that strengthens the group’s earnings base through steady growth and will work to reinforce its earning power through investments in facility replacements and structural reform. On the other hand, we position our medical, agriculture and food, logistics and other businesses as a business group that drives the group’s future growth and will work to expand its business scale through aggressive investments including M&As and establishment of new and additional facilities.

Under these growth strategies, our company has established a three-year mid-term management plan “NEXT-2020Ver.3” which stands as the third step for “Vision for a 1 trillion yen Company by FY2020” that was set in 2010 and covers the period from fiscal year 2016 to fiscal year 2018. In order to achieve stable and permanent growth, we placed “Establishing a structure for achieving the Vision for 1-trillion yen Company” and “Building a foundation for post 2020” as management tasks. Based on the basic concept of “Challenges for structural reform and sustainable growth,” we have established the three basic policies of (1) “Pursuit of ultimate solution services and realization of innovation,”, (2) “Strengthening of corporate structure by implementing structural reform” and (3) “Challenges towards issues for post 2020” to achieve the management goals by steadily implementing various measures based on these basic policies.

6. Basic rationale for selection of accounting standards

Our corporate group has been considering in details the adoption of IFRS (International Financial Reporting Standards) with the aims of improving international financial statement comparability in capital markets, improving the quality of group management and strengthening governance. We will appropriately evaluate the timing of adoption, taking into account the domestic and international situations and the moves of companies in the same industry, while improving the system environment for adoption.