

August 5, 2021

Consolidated Financial Results (Under IFRS)
For the First Quarter of the March 31, 2022 Fiscal Year

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

1. Results for the Three Months Ended June 30, 2021

(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	%
Three months ended June 30, 2021	206,400	14.5	16,114	84.8	16,114	90.5	11,518	120.6	10,656	139.4	12,630	33.3
Three months ended June 30, 2020	180,259	-1.7	8,719	-20.5	8,460	-23.9	5,221	-31.6	4,451	-37.7	9,474	20.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	47.18	47.13
Three months ended June 30, 2020	19.57	19.55

(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 June 30, 2021	949,917	381,997	364,079	38.3
As of March 31, 2021	926,821	372,389	357,797	38.6

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, 2021	—	22.00	—	22.00	44.00
The fiscal year ending March 31, 2022	—				
The fiscal year ending March 31, 2022 (Forecasts)		22.00	—	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, 2022

(% 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 second quarter (cumulative)	420,000	12.2	30,000	53.4	30,000	59.4	19,000	77.4	84.09
The fiscal year	890,000	10.3	63,000	23.0	62,000	24.9	41,000	49.8	181.41

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2022 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 June 30, 2021:	229,755,057 shares
As of March 31, 2021:	229,755,057 shares
 - b. Number of shares of treasury shares

As of June 30, 2021:	3,765,193 shares
As of March 31, 2021:	3,995,259 shares
 - c. Average number of shares during the term

First Three months of the fiscal year ending March 31, 2022:	225,868,513 shares
First Three months of the fiscal year ended March 31, 2021:	227,463,606 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 First Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

During the cumulative first quarter of the current consolidated fiscal year under review, the Japanese economy faced persistent uncertainties due to continuously low consumer spending as a result of the declarations of a state of emergency and stay-at-home advisories in response to surges in the cases of the novel coronavirus (hereinafter “COVID-19”) pandemic. Meanwhile, production activities of the domestic manufacturing industry showed a moderate recovery, particularly among export-related businesses thanks to the normalization of economic activities in the U.S. and China, where vaccination has made more progress than in other countries.

Under these economic conditions, the Company and its consolidated subsidiaries (hereinafter “the Group”) maintained a stable supply of industrial gas, medical gas, and other products essential to industry and people’s lives and focused on entering markets such as electronics and infection control, including hygiene materials, which have been growing in response to the COVID-19 pandemic. At the same time, the Group worked to meet new demand in energy, food, logistics, and other markets by responding rapidly to changes in lifestyles to develop a driver for sustainable business growth. In addition, the Group took COVID-19 as a spur to undertake mergers and reorganization of its affiliates, organizational reforms of manufacturing and technical divisions, and other activities from a Group-wide perspective to build the business foundation for further corporate growth. It also worked to raise the efficiency of its operation management, such as digital innovation and work-style reforms.

In addition to these measures, the Group’s business environment improved more quickly than expected and its profit structure improved thanks to business structure reforms instituted in a number of segments in recent years. Consequently, the results for the cumulative first quarter of the current consolidated fiscal year under review proved to be stronger than the pre-COVID-19 level.

Moreover, the Group carried out activities to contribute to the achievement of the Sustainable Development Goals (SDGs) by focusing on two core fields, including the global environment, with the aim of creating a carbon neutral society and wellness as a field widely contributing to people’s health and welfare, in an effort to help solve diverse social issues through its business activities.

As a result, for the current first quarter consolidated cumulative period, the group’s revenue was ¥206,400 million (114.5% that of the corresponding period of the previous year), operating profit was ¥16,114 million (184.8%), and profit attributable to owners of parent was ¥10,656 million (239.4%).

2) Consolidated results by segment for this period

	(Million yen)			
	Revenue		Operating profit	
	FY 2021.1Q	YoY Growth	FY 2021.1Q	YoY Growth
Industrial Gas Business	44,233	108.9%	5,167	131.5%
Chemical Business	9,653	138.3%	997	396.0%
Medical Business	45,187	111.4%	2,221	291.5%
Energy Business	12,964	117.5%	921	121.0%
Agriculture and Food Products Business	34,140	108.1%	1,121	346.3%
Logistics Business	13,600	104.2%	850	128.3%
Seawater Business	10,346	123.5%	779	329.6%
Other Businesses	36,273	129.3%	2,700	380.0%
(Adjustment)	-	- %	1,355	125.2%
Total	206,400	114.5%	16,114	184.8%

(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>

This segment has been expanding its businesses in the growing electronics market, as well as in high potential overseas markets such as India, while instituting business portfolio reforms.

Japanese semiconductor manufacturers, which lead global semiconductor manufacturing, are stepping up their production, and the Group is making unprecedented capital investments to meet demand for gas, and to expand gas purification equipment, thermal control equipment for semiconductor manufacturing equipment and other businesses with the aim of establishing its position as a company comparable to the global gas giants in the electronics market.

In India, we will expand our on-site steel business using gas production plant technologies for a complete range from small to large plants, in addition to its track record of supplying gas to India's largest and second largest steel manufacturers. At the same time, we will increase off-site sales of industrial and medical-use gas products to strengthen our business base and also expand our geographical business area in Vietnam.

In Japan, we are developing infrastructure networks (production, storage, and distribution) such as VSU in regional business, raising our sales capacity, and maximizing the effect of combining regional business companies to restructure our revenue base.

Revenue in this segment was ¥44,233 million (108.9% that of the corresponding period of the previous year), and operating profit was ¥5,167 million (131.5%).

Both sales and profit in the overall business exceeded the pre-COVID-19 levels thanks to demand for industrial gas, which remained generally strong after the resumption of production activities in the domestic manufacturing industry led by export-related businesses, in addition to the strong results of gas supply services for electronics applications, the sale of special chemicals and equipment, and the industrial gas business in India.

In the **gas business**, our gas supply services for electronics applications remained firm thanks to the ongoing capital expenditures and high-level operation of domestic semiconductor manufacturers, our major customers, on the back of growth in demand for semiconductors. In our on-site gas supply services for steel manufacturers, the sales volume of gas increased thanks to the recovery of crude steel production based on the resumption of production activities of the domestic manufacturing industry, particularly the automotive sector. In our tanker truck and cylinder gas supply services, those for welding-related businesses picked up, while services for automobiles, electronic components, chemicals, and other products generally maintained pre-pandemic sales levels.

The **overseas business** remained strong as our on-site gas supply services for steel manufacturers maintained a high operating rate given increased crude steel production in the mainstay Indian business. Off-site sales of our tanker truck and cylinder gas supply services prioritized responding to the serious shortage of medical-use oxygen, as announced by the government amid the ongoing rapid resurgence of COVID-19 cases.

The **equipment and construction-related business** focused on meeting demand related to semiconductor manufacturers' investment in production growth and facility expansion, with the result that sales increased for related construction, special chemical supply equipment, gas purification equipment, machinery and materials for semiconductor manufacturing equipment, and other products.

<Chemical business>

This segment is implementing a structural reform to shift to the functional chemicals business focusing on electronics materials. As an important step, our Electronic Material Development Division, Kawasaki Kasei Chemicals Ltd., and Daito Chemical Co., Ltd., which joined the Air Water Group in 2019, will be combined to establish Air Water Performance Chemicals Inc. on October 1, 2021. We will unify the technical resources and customer bases of these companies to pursue synergies throughout all businesses. We will also preemptively respond to structural changes and growth in demand in the development of the upcoming "super smart society" in the overall chemical business, including basic chemicals, functional materials and food chemistry areas, in addition to the area of electronic materials.

Revenue of this segment was ¥9,653 million (138.3% that of the corresponding period of the previous year), and operating profit was ¥997 million (396.0%).

In the results for all businesses, revenue growth continued thanks to growth in sales of electronic materials, a recovery in demand for basic chemicals severely affected by the pandemic in the previous fiscal year, and improved market conditions.

In the **functional chemicals business**, sales of electronic materials such as the raw materials for displays increased due to high demand for electronics. At Daito Chemical Co., Ltd. sales of its mainstay product, sodium acetate, for food products increased and the contract synthesis business expanded. At FILWEL Co., Ltd., sales of precision polishing pads remained strong on the back of growing demand for hard disk drives in response to growth of data center market.

Sales at **Kawasaki Kasei Chemicals Ltd.** remained strong thanks to an improvement in the domestic phthalic anhydride market and a recovery in demand for naphthoquinone used for agrochemicals.

<Medical business>

This segment is creating a new form of medical services using its comprehensive capabilities, including its diverse business sectors ranging from advanced medical care, which primarily handles medical gas and medical equipment, to everyday medical care such as dental and hygiene materials. In response to the need to live with COVID-19, we are

further increasing our prevention control products and supplying medical-use oxygen concentrators both in Japan and abroad to contribute to the treatment of COVID-19 patients. Meanwhile, we are enhancing our profit structure based on the integration and reorganization of the Air Water Group companies and improvement in cooperation with regional business companies.

Revenue of this segment was ¥45,187 million (111.4% that of the corresponding period of the previous year), and operating profit was ¥2,221 million (291.5%).

In the overall business results, while nearly all business segments were affected by the pandemic in the year-ago period, the recovery trend of the environment for our hospital business and demand for infection control products, which grew rapidly in the previous fiscal year, remained strong, contributing to a substantial increase in revenue.

The result in the **facility business** was strong thanks to repair work and inspection and maintenance of hospital facilities such as operating rooms, which had been suspended because of the impact of COVID-19. Revenue in the **medical service business** continue to rise thanks to increased efficiency in material procurement, despite the impact of a decline in the number of outpatients and operations remaining in SPD (supply, processing, and distribution management for hospitals). The result in the **medical gas business** remained strong thanks to a recovery in the market and an increase in demand for products for COVID-19 patients. In the **medical equipment business**, sales of infection control products and the number of cases in nitric oxide inhalation therapy increased. In the **home medical care business**, rental oxygen concentrators increased due to an increase in COVID-19 cases before and after long holidays. Meanwhile, strong demand remained in the **hygiene products business**, despite a reactionary fall from temporary demand for masks, hand sanitizers, and other infection control products.

In **other businesses**, mail order sales of infection control products increased, particularly to dentists, at our equity method affiliate Ci Medical Co., Ltd. Demand in the injection needle business remained on a recovery trend thanks in part to growth in sales of syringe needles used for vaccination.

<Energy business>

This segment posted a steady increase in revenue through the strengthening of direct sales of LP gas and the expansion of sales through the acquisition of new customers by improving customer services and obtaining the commercial rights of retailers. Moreover, initiatives have begun to develop LNG-related equipment and new biogas energy systems that are able to contribute to carbon neutrality and to construct the foundations for an LP gas business in the Vietnamese market, which we recently entered.

Revenue of this segment was ¥12,964 million (117.5% that of the corresponding period of the previous year), and operating profit was ¥921 million (121.0%).

The results of the overall business remained strong thanks to growth in sales of LP gas and equipment for general households to meet stay-at-home demand and a recovery in demand for commercial and industrial uses.

In the **LP gas business**, the unit selling price increased in connection with the CP price used as an indicator of import prices, while the unit selling price of kerosene also rose in response to an increase in oil prices, resulting in revenue growth. Household consumption was at the same level as that in the previous year, with more consumers staying at home and rising sales of gas stoves and water heaters. Signs of a recovery emerged in sales of commercial and industrial use products, notwithstanding disparities among industries, resulting in a year-on-year increase in sales volume. Improvements in operation process such as the streamlining of LP gas delivery using IoT also contributed to revenue growth.

In the **natural gas business**, LNG sales volume in Hokkaido increased and sales of related equipment such as LNG tankers remained strong.

<Agriculture and food products business>

This segment revamped its production and sales structure, which had focused on commercial-use products for hotels and restaurants, in response to the rapid change in demand for food caused by the pandemic. We focused on developing products such as commercial frozen food and ready-made food to meet demand for faster- and simple cooking and products for home delivery, while exploiting new sales channels including strengthening our e-commerce business. We are also shifting our business structure to new food distribution and processing business that combines our food processing technology and distribution functions.

Revenue of this segment was ¥34,140 million (108.1% that of the corresponding period of the previous year), and operating profit was ¥1,121 million (346.3%).

The overall result of the business was an increase in revenue, achieved through a recovery in sales of beverages and

confectionery and increased efficiency of production and distribution.

The **farm products and food processing business** focused on expanding sales of fully cooked products and frozen vegetables for home use, in addition to the development of takeout and home-delivery products, in the ham and delicatessen sector and farm and the processed product sector in response to stay-at-home demand, aiming to offset the impact of delayed recovery in demand for commercial-use products. In the confectionery sector, sales to mass retailers increased thanks to collaborative products and revenue recovered significantly in terms of production and distribution.

In the **beverage business**, sales from contract production of vegetable beverages, in addition to tea beverages, grew thanks to consumers' health awareness. The cutting-edge PET bottle filling lines at the Eniwa plant in Hokkaido, which began operation in the previous year, have been operating steadily and contributing to revenue growth.

In **other businesses**, although the prolonged impact of a decrease in customers due to business suspension and stay-at-home advisories remained in the fruit and vegetable retail sector, sales recovered year on year and a reduction in losses thanks to thorough inventory control resulted in continuous revenue improvement. As a consequence, the business remained strong.

<Logistics business>

The segment continues to focus on the low-temperature logistics business, which is expected to see growing demand, and on building a Group logistics network to improve profitability. In parallel, we are working to create synergy among businesses by rationalizing costs through the centralization of Group-wide logistics and leveraging warehouses to increase efficiency. We are also working to develop waste material transportation, the importance of which is increasing in the development of recycling-oriented society.

Revenue of this segment was ¥13,600 million (104.2% that of the corresponding period of the previous year), and operating profit was ¥850 million (128.3%).

The overall result of the business remained strong thanks to a rise in freight volume based on an increase in consumer spending related to activities at home and the resumption of corporate activities, and continued large volumes of shipments in food distribution.

In the **transport business**, we have received large online sales contracts through promotion activities using the locations of logistics centers developed in northern Kanto region and Hokkaido and increased freight volume through trunk line transportation thanks in part to the resumption of chassis transportation on ferry routes. An increase in the productivity of Air Water's logistics bases and medical waste transportation also contributed, offsetting the impact of a rise in diesel oil price, and the business remained strong.

The **3PL(third party logistics) business** centering on food distribution maintained large volume of shipments for supermarkets to meet growing demand for home meal replacement and home cooking of consumers staying at home. The operation of the second low-temperature logistics center in Sapporo, Hokkaido, which was added in May 2021, also contributed to sales, and the business remained strong.

The **vehicle custom installation business**, which designs truck bodies and installs accessories, performed steadily due to an increase in the number of vehicles produced despite an increase in material cost.

<Seawater business>

Starting from the main businesses such as commercial salts and magnesia for electromagnetic steel plates, in which we have the largest market shares in the industry, this segment has built a foundation for stable earnings through the development of diverse businesses derived from seawater involving the environment, foods, electricity, and urban infrastructure (water treatment and sewage pipe rehabilitation). Aiming for further growth, we are working to expand the environment business and the woody biomass power generation business, demand for which has been increasing, particularly in Asia, against a backdrop of increasing environmental restrictions.

Revenue of this segment was ¥10,346 million (123.5% that of the corresponding period of the previous year), and operating profit was ¥779 million (329.6%).

The overall result of the business was further revenue improvement through the stable operation of a new woody biomass power generation plant, expansion of the environment business, and a recovery in demand in the magnesia business.

The result in the **salt business** remained at the level of the previous year given a weak recovery in demand for commercial salts caused by the sluggish restaurant industry. Sales of magnesium hydroxide, particularly for steelworks, recovered in the **environment business**. The **electric power business** remained strong thanks to the continuously stable

operation of the Ako No. 2 Biomass Power Plant, which commenced operation in January 2021. The **urban infrastructure business** remained strong thanks to an increase in orders received for sewer pipe renewal construction. The results in the **magnesia business** included a recovery in sales of fused magnesia used for heaters primarily for home appliances and an increase in sales of ceramic products for semiconductor manufacturing equipment. The business overall remained strong thanks also to the profit effect of the rationalization of production costs.

<Other businesses>

Revenue of this segment was ¥36,273 million (129.3% that of the corresponding period of the previous year), and operating profit was ¥2,700 million (380.0%).

The **aerosol business** remained strong thanks to an increase in sales of refrigerants for automotive thermal systems and the continued high level of outsourced production of insecticides and paints for models meeting stay-at-home demand, which more than offset a fall in the contract production of alcohol-based sanitizing agents, which experienced special demand in the previous year.

In the **information and electronic materials business**, sales of wire harnesses for automobiles remained strong in China, while sales of semiconductors and electronic components used for communication infrastructure and automobiles rose in response to an increase in stockpiling of semiconductors caused by supply shortages.

The industrial gas equipment sector in the **overseas engineering business** remained steady thanks to a recovery in orders received for low-temperature containers and gas supply facilities, in addition to demand for facilities in expectation of decarbonization, such as liquefied hydrogen tanks. The high power uninterrupted power supply systems (UPS) sector was affected by a delay in construction due to the prolonged impact of city lockdowns and travel restrictions imposed in Southeast Asia, despite a recovery in projects in the U.S. and Europe associated with the normalization of economic activities.

In the **electric power business**, the operation of the Onahama Biomass Power Plant started in April 2021, in Iwaki, Fukushima. The operation of the biomass-coal mixed power plant in Hofu, Yamaguchi, was suspended for regular inspections in the same period of the previous year. In reaction, both sales and profit increased significantly year on year.

In the O-rings business, among **other businesses**, sales of products for semiconductor manufacturing equipment continued to hold steady. The metal surface processing business remained steady as a result of a recovery in orders received primarily for auto parts.

(2) Explanation of financial position for the current period

Total assets at the end of the current first quarter consolidated fiscal year under review stood at ¥949,917 million, an increase of ¥23,096 million compared to the end of the previous consolidated fiscal year due primarily to increases in property, plant and equipment. Liabilities stood at ¥567,920 million, an increase of ¥13,488 million compared to the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥381,997 million, an increase of ¥9,607 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 ¥1,584.86 at the end of the previous consolidated fiscal year to ¥1,611.04, and ratio of equity attributable to owners of parent to total assets was 38.3%, compared with 38.6% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the current first quarter consolidated cumulative period was an inflow of ¥13,738 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was a decrease of ¥87 million compared to that in the previous first quarter consolidated cumulative period.

Cash flows from investing activities for the current first quarter consolidated cumulative period was an outflow of ¥12,023 million, an increase in expenditures of ¥4,068 million compared to the previous first quarter consolidated cumulative period, due mainly to an increase in proceeds resulting from sale of investment securities and a decrease in expenditures resulting from payments for acquisition in subsidiaries resulting in change in scope of consolidation, despite an increase in expenditures resulting from purchase of property, plant and equipment.

Cash flows from financial activities for the current first quarter consolidated cumulative period was an outflow of ¥6,003 million, which was an increase in expenditures of ¥1,663 million compared to that in the previous first quarter consolidated cumulative period, due mainly to a decrease in proceeds due to the reaction to proceeds from the issuance of bonds recorded in the previous first quarter consolidated cumulative period, and an increase in expenditures resulting from payments for additional acquisition in subsidiaries, despite a decrease in expenditures resulting from repayments of borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the current first quarter consolidated cumulative

period stood at ¥43,001 million, an increase of ¥6,900 million compared to the end of the previous first quarter consolidated cumulative period.

(3) Explanation of future prediction information such as forecast of consolidated operating results

In the first three months of the fiscal year ending March 31, 2022, demand for semiconductor-related products rose in the Industrial Gas Business and relevant operations fared well in India despite concerns about the impact of the spread of COVID-19. Moreover, improvements in profitability across all operations progressed at a pace surpassing the original forecast, primarily reflecting a recovery in demand in medical services in the Medical Business, improvements in product market conditions in the Chemical Business and further improvements in production and logistics costs in the Agriculture & Food Products Business. Also contributing were initiatives for streamlining business operations on a group-wide basis, including the reform of working practices.

The Company decided to make upward revisions to the forecast of its consolidated business results for the first six months and full-year periods of the fiscal year ending March 31, 2022, given that the above trend is expected to continue into the second quarter.

1) Revision to forecast of the first six months of the fiscal year ending March 31, 2022 (April 1, 2021 – September 30, 2021)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Original forecast (A) (announced on May 12, 2021)	Million yen 410,000	Million yen 25,000	Million yen 24,300	Million yen 14,300	Yen 63.34
Revised forecast (B)	420,000	30,000	30,000	19,000	84.09
Amount of change (B-A)	10,000	5,000	5,700	4,700	
Percentage change (%)	2.4	20.0	23.5	32.9	
[Reference] Results for the first six months of the fiscal year ended March 31, 2021	374,423	19,561	18,825	10,710	47.08

2) Revision to forecast of the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Original forecast (A) (announced on May 12, 2021)	Million yen 880,000	Million yen 58,000	Million yen 56,500	Million yen 36,000	Yen 159.46
Revised forecast (B)	890,000	63,000	62,000	41,000	181.41
Amount of change (B-A)	10,000	5,000	5,500	5,000	
Percentage change (%)	1.1	8.6	9.7	13.9	
[Reference] Results for the fiscal year ended March 31, 2021	806,630	51,231	49,651	27,367	120.98