May 28, 2020

FY 2019 Consolidated Financial Results (Under IFRS)

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 FY 2019 (The year ended March 31, 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	%
FY2019	809,083	9.0	50,616	18.3	49,830	18.3	33,526	11.2	30,430	5.6	28,604	19.1
FY2018	742,288	―	42,799	―	42,111	―	30,139	―	28,815	―	24,026	―

	Basic earnings per share	Diluted earnings per share	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
FY2019	147.43	147.20	10.0	5.9	6.3
FY2018	147.33	147.06	10.6	5.7	5.8

(Refernce) Share of profit of investments accounted for using the equity method:

1,605 million yen for FY2019, 1,685 million yen for FY2018

(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	Equity attributable to owners of parent per share
	Million yen	Million yen	Million yen	%	Yen
FY2019	899,699	351,815	331,992	36.9	1,460.00
FY2018	785,944	295,009	278,053	35.4	1,420.37

(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
FY2019	43,784	-115,597	80,981	41,861
FY2018	61,212	-91,615	39,045	32,108

2.Dividends

	Dividend per share					Total amount of dividends	Dividend payout ratio	Ratio of dividends to equity attributable to owners of parent
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	—	19.00	—	21.00	40.00	7,852	27.1	2.9
FY2020	—	20.00	—	24.00	44.00	9,388	29.8	3.1
FY2021 (Forecasts)	—	22.00	—	22.00	44.00		37.1	

3.Forecast of consolidated operating results for FY2020 (The 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
FY2020	810,000	0.1	46,000	-9.1	45,000	-9.7	27,000	-11.3	118.74

(Note) We have provided only a full-year forecast because it is impossible to reasonably predict the time when the COVID-19 infections will subside.

Notes

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

Newly included: 1 company (Company name) Air Water India Private Limited

(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 March 31, 2020: 229,755,057 shares

As of March 31, 2019: 198,705,057 shares

b. Number of shares of treasury shares

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

As of March 31, 2019: 2,943,138 shares

c. Average number of shares during the term

Year ended March 31, 2020: 206,407,166 shares

Year ended March 31, 2019: 195,578,978 shares

(Reference) Non-consolidated financial results

1. Results of non-consolidated operations for FY2019 (The year ended March 31, 2020)

(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	%
FY2019	130,837	-26.2	-4,064	—	10,756	-31.9	-401	—
FY2018	177,383	5.7	1,136	-47.9	15,786	2.2	12,928	9.0

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY2019	-1.95	—
FY2018	66.10	65.98

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2019	487,235	211,006	43.2	926.42
FY2018	424,936	170,764	40.1	870.14

(Reference) Shareholder's equity: 210,659 million yen for FY2019, 170,341 million yen for FY2018

* 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

・AIR WATER INC. (hereinafter "the Company") has adopted International Financial Reporting Standards (IFRS) from the year ended March 31, 2020. In addition, the consolidated financial statements for the previous fiscal year are presented based on IFRS.

・The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors. For matters relating to the forecasts, please, refer to "4-(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 consolidated fiscal year ended March 31, 2020 was on a gradual recovery trend during the first half of the fiscal year, backed by improvements in the employment environment and a pickup in consumer spending. However, in the second half of the fiscal year, production activities and facility investments in the domestic manufacturing industry, particularly export-oriented industries, slowed down due to the downturn in the Chinese economy resulting from the protracted U.S.-China trade conflict. Further, business conditions became more difficult in and after February this year due to the impact of the spread of the COVID-19 infection.

In such a business environment, our three-year mid-term management plan "NEXT2020-Final," the first year of which is fiscal 2019, was launched with "Reform = Execution of innovations" as a basic concept. Under the plan, various implementation measures were steadily promoted in each business field, together with the reinforcement of our management bases, including the strengthening of our product development capabilities and the development of human resources to achieve future sustainable growth.

Domestically, our industrial gas business expanded its production and filling sites, and our chemical business, in which business restructuring is being carried out, improved its profitability by expanding its business domain through M&A. We also reinforced our stable domestic business foundations by establishing a new seawater company with an eye to further growth in our seawater business, and by steadily promoting the expansion of our wood biomass power generation business. In overseas, we worked to build our operational bases for future growth through M&A acquisition of industrial gas businesses in India, where high market growth is expected and high power UPS (uninterruptible power-supply system) business.

The business results for the consolidated fiscal year as a whole were faced with a difficult business environment caused by the effects of the spread of the COVID-19 infections, in addition to the unseasonable weather such as the unusually cool summer and the stagnation in demand from customers, particularly the manufacturing sector, in the second half of the fiscal year. Nevertheless, steady progress was made by all of our businesses in the efforts to strengthen our earnings structure, including product price revisions. The overall results remained strong, due to the effects of the new consolidation through M&A implemented both in Japan and overseas, and also due to the start of revenue generation from our woody biomass power generation business in Hofu-shi, Yamaguchi Prefecture.

As a result, for the consolidated fiscal year ended March 31, 2020, the group's revenue was ¥809,083 million (109.0% that of the previous year), operating profit was ¥50,616 million (118.3%), and profit attributable to owners of parent was ¥30,430million (105.6%).

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

2) Consolidated results by segment for this period

(Million yen)

	Revenue		Operating profit	
	FY 2019	**YoY Growth**	**FY 2019**	**YoY Growth**
Industrial Gas Business	188,965	108.5%	19,246	115.1%
Chemical Business	27,479	119.9%	1,338	245.0%
Medical Business	187,913	107.9%	10,109	97.6%
Energy Business	51,969	98.6%	4,251	109.6%
Agriculture and Food Products Business	137,298	100.6%	3,282	77.9%
Logistics Business	50,413	105.1%	2,396	108.0%
Seawater Business	39,986	99.4%	2,935	124.4%
Other Businesses	125,057	133.5%	7,338	216.1%
(Adjustment)	—	—	-283	31.8%
Total	809,083	109.0%	50,616	118.3%

(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 ¥188,965million (108.5% that of the previous year), and operating profit was ¥19,246 million (115.1%).

In our **gas business**, our on-site gas supply services to blast furnaces trended upward due to the start of the operation of our major customer's new blast furnace. However, the results fell slightly below that of the previous consolidated fiscal year, because the growth in sales volume became stagnant from the latter half of the fiscal year due to the impact of the reduction of crude steel production. Our gas supply services to electronics applications performed strongly, thanks to an increase in sales volume due to a phased increase in operating rates of our major customers' plants as a result of facility investment to strengthen production, backed by an increase in demand associated with data centers and the next-generation communication standard (5G). Our gas supply services via tanker lorries and cylinders sought to expand its market share by building new filling stations and by promoting stronger cooperation with our leading regional partners, with a focus on the deployment of "VSU," a highly efficient and compact liquefied oxygen and nitrogen co-production plant. Efforts were also focused on the revision of gas prices to respond to a surge in logistic costs. Sales of our carbon dioxide gas and dry ice grew well, contributed to by our efforts to ensure stable supply and by price revisions. Our industrial gas businesses in India, which we acquired through M&A in the consolidated fiscal year, performed strongly, fuelled by buoyant steel production in the regions.

Our **equipment and construction-related business** grew steadily, due to an expansion in sales of our electronics-related equipment, thanks to an increase in our gas supply to electronics applications, and also due to the effects of new consolidation of Nichinetu Holdings Co., Ltd., which we acquired through M&A in the previous consolidated fiscal year.

<Chemical business>

Revenue of this segment was ¥27,479 million (119.9% that of the previous year), and operating profit was ¥1,338 million (245.0%).

Our **functional chemicals business** was affected not only by the continued shutdown of the operation of production plants in China resulting from the effects of environmental regulations imposed on the entire industrial park in Jiangsu Province but also by a decline in sales of our highly-functional circuit products used for industrial robots, due to stagnation in facility investments caused by the U.S.-China trade conflict. However, the business remained robust as a whole, due to the progress made in expanding sales of our electronics materials thanks to the increased scope of new applications for displays, and also due to an improvement in earnings achieved through the streamlining of production and the reconsideration of unprofitable products. Also, the effects of the new consolidation of FILWEL Co., Ltd., a manufacturer and seller of precision polishing pads and artificial leather, and Daito Chemical Co., Ltd., a leading domestic sodium acetate manufacturer, both of which the company acquired through M&A in the consolidated fiscal year, significantly contributed to the results.

As a result of the M&A of Daito Chemical Co., Ltd., we recorded a gain on bargain purchase (¥2,051 million). As for the production plants in China that have no prospect of resuming operation, it has become possible to replace their function with that of the domestic plants of Daito Chemical Co., Ltd., which we acquired through M&A; therefore, we decided to close the plants in China and recorded loss on business liquidation (¥1,277 million) associated with the closure.

Kawasaki Kasei Chemicals Ltd. saw results fall below that of the previous consolidated fiscal year, due to a decline in sales of its mainstay product naphthoquinone resulting from the shut-down of its customer's plant, and also due to the effect of the fall in prices of its phthalic anhydrides caused by weakening of the market condition.

<Medical business>

Revenue of this segment was ¥187,913 million (107.9% that of the previous year), and operating profit was ¥10,109 million (97.6%).

Our **facility business** faced difficult conditions, due to a continued decline in new hospital facility construction projects centering on the construction of operating rooms, and also due to the effects of the postponement of construction caused by the impact of the COVID-19.

Our **medical treatment services** grew steadily due to new contracts won for SPD (supply, processing, and distribution management for hospitals) and the progress made in streamlining material procurement and in optimizing prices.

Our **medical gas business** maintained its sales volume at the same level as in the previous consolidated fiscal year through the cultivation of new customers, despite the gradual declining trend of the volume of medical oxygen used.

Our **medical equipment business** grew satisfactorily, due to an increase in sales of our newborn and infant ventilators and an increase in the number of cases in which a nitric oxide (NO) inhalation therapy is applied.

Our **home medical care service** saw results fall below that of the previous consolidated fiscal year, due to sluggish growth in rentals of our home oxygen concentrator.

Our **hygiene product business** grew strongly, due to increases in orders for contract manufacturing of medical supplies and in sales of safety and health-protective equipment and the progress made in streamlining its manufacturing plants.

Our **dental business**, which saw an expansion in sales of denture materials that correspond to digitalized dental technology, and our **injection needle business**, which introduced most advanced manufacturing facilities, each grew to satisfactory levels, and the effects of the new consolidation through M&A implemented in the previous consolidated fiscal year also contributed to the results.

Upfront expenses were also incurred to carry out research and development relating to perioperative medical support systems and dental pulp reproduction and to establish bases for the research and development.

<Energy business>

Revenue of this segment was ¥51,969 million (98.6% that of the previous year), and operating profit was ¥4,251 million (109.6%).

Our **LP gas business** was affected in sales, due to a fall in unit sales prices along with import prices. Amid this situation, the number of customers of LP gas for consumer use increased as a result of the acquisition of commercial rights of retailers and the promotion to subscribe to the service to award points. Also, progress was made in expanding sales of LP gas for industrial use, particularly in the western Japan area, through efforts to provide additional lorries operated by our company. As a result of these, our direct sales ratio increased along with an increase in sales volume, which resulted in strong performance in terms of profit. Sales of kerosene decreased in volume due to the warm winter. Our equipment and construction business grew steadily, thanks to increases in sales of our hybrid hot-water supply and heating system for household use, our LP gas-powered mobile power supply vehicles, and our emergency power generators.

Our **natural gas business** grew satisfactorily, thanks to an increase in sales volume of LNG and an increased number of LNG tanker lorries sold.

<Agriculture and food products business>

Revenue of this segment was ¥137,298 million (100.6% that of the previous year), and operating profit was ¥3,282 million (77.9%).

The business environment for our **farm products and food processing business** continued to be severe, due to a rise in logistic and labor costs and costs for raw materials. In addition to this situation, the business faced difficult conditions, because our ham-delicatessen and sweets sectors were affected by intensified market competition, and demand for our frozen and processed food products for commercial use, particularly those for restaurants, hotels and school lunch, rapidly declined due to the impact of the COVID-19. Our farm products and processing sector, which takes up the cultivation, processing and retail of vegetables, was also heavily impacted by low market prices of our mainstay Hokkaido potatoes and pumpkin due to a bumper harvest.

Our **beverage business** saw results fall significantly below that of the previous consolidated fiscal year, due to a rise in logistic costs, the low temperature during the peak demand period of summer and a decline in vegetable beverage sales.

Although our fruit and vegetable retail sector in our **other businesses** was affected by low market prices of vegetables during the first half of the fiscal year and by a succession of shorter opening hours and store closures due to the impact of the COVID-19, the results exceeded that of the previous consolidated fiscal year in terms of profit, thanks to the progress made in the improvement of earnings of the existing stores. Our agricultural equipment sector saw steady growth in sales of equipment such as weeding agricultural equipment.

In our farm products and food processing business, there were new consolidation effects of Ecofroz S.A., a producer and seller of broccoli in Ecuador, which the company acquired through M&A in the previous consolidated fiscal year.

<Logistics business>

Revenue of this segment was ¥50,413 million (105.1% that of the previous year), and operating profit was ¥2,396 million (108.0%).

Our **transport business** saw an increase in shipments consisting mainly of feeds and construction materials, due to the progress made in acquiring new shippers around Hokkaido. However, the growth became sluggish as cargo movement stagnated in and after the latter half of the fiscal year due to the manufacturing sector's slowdown in production activities. In such circumstances, the business performed steadily, contributed to by the streamlining of deliveries by introducing a new delivery management system, and by cost improvement achieved as a result of a fall in diesel oil prices.

Our **3PL (third party logistics) business**, which centers on food logistics, performed strongly, contributed to by an increase in volume of shipments at our newly opened Low-Temperature Logistics Center, and also by the launch of our contract delivery services in new areas for major convenience store chains. The optimized contract delivery service prices and improved warehouse work productivity successfully offset the impact of the rise in costs caused by labor shortages, which also contributed to the performance.

Our **vehicle custom installation business**, which carries out design of truck bodies and installation of accessories, grew satisfactorily, thanks to firm replacement demand and an increase in sales of trailers.

<Seawater business>

Revenue of this segment was ¥39,986 million (99.4% that of the previous year), and operating profit was ¥2,935 million (124.4%).

Our **salt manufacturing business** exhibited strong performance due to the contribution of price revisions of salt for industrial use that have been implemented since the previous consolidated fiscal year, as well as the progress made in the sales expansion and the streamlining of production of salt manufactured by a special process. Our environmental business remained difficult due to a significant decline in sales of magnesium hydroxide used for flue-gas desulfurization. Our power generation business grew steadily, due to improvement in profitability achieved by increasing the percentage of unused materials in the fuel composition for woody biomass power generation. Our food product business performed strongly, thanks to the progress made in streamlining production after the start of the operation of a new factory and an expansion in sales of seaweed products for convenience stores. Also, the sewage pipe rehabilitation business grew satisfactorily.

Our **magnesia business** performed strongly in terms of profit, due to an expansion in sales of magnesia for electromagnetic steel plates and the progress made in improving profitability thanks to a fall of prices of raw materials for fused magnesia used for heaters, despite a decline in sales of magnesia for general ceramic engineering products including those for fire-proof brick applications.

<Other businesses>

Revenue of this segment was ¥125,057 million (133.5% that of the previous year), and operating profit was ¥7,338 million (216.1%).

Our **aerosol business** faced difficult conditions due to the effects of the rise in costs including depreciation caused by the start of operation of a new plant, in addition to a decline in contract manufacturing of UV blocking sprays in reaction to buoyant demand from China in the previous consolidated fiscal year.

Our **information and electronic materials business** saw a decline in sales of products for automobiles such as wire harnesses, due to the impact of slowdown in the Chinese economy; however, the results remained on a par with the level of the previous consolidated fiscal year, thanks to steady growth in sales of chemical agents in Japan for semiconductors and chemical engineering, and also thanks to an increase in equity-method earnings at our overseas affiliates.

In our **overseas engineering business**, the industrial gas-related equipment sector grew steadily, due to strong sales of our low temperature liquefied gas tanks and carbon dioxide gas-related equipment in North America, and as a result of efforts to streamline production and reduce procurement costs around production bases in Malaysia. Also, its high power UPS (uninterrupted power supply systems) sector performed steadily, due to an increase in demand from data centers in Singapore. Also, there were new consolidation effects of a Netherlands high power UPS manufacturer, Hitec Holding B.V. which we acquired through M&A in the consolidated fiscal year.

In **other businesses**, our power generation business grew satisfactorily, thanks to the continued stable operation of our woody biomass-coal mixed firing power plant which started operation in Hofu-shi, Yamaguchi Prefecture in July last year. Also, the construction project for the woody biomass-burning power plant, promoted in Iwaki-shi, Fukushima Prefecture, progressed steadily with a view to starting operation in April 2021.

(2) Summary of financial position for current period

Total assets at the end of the consolidated fiscal year under review stood at ¥899,699 million, an increase of ¥113,755 million compared to the end of the previous consolidated fiscal year primarily due to increases in property, plant and equipment. Liabilities stood at ¥547,884 million, an increase of ¥56,950 million compared to the end of the previous consolidated fiscal year mainly due to increases in bonds and borrowings. In order to secure timely and stable financing, we have concluded a commitment line agreement with total amount of ¥20 billion with financial institutions. Equity stood at ¥351,815 million, an increase of ¥56,805 million compared to the end of the previous consolidated fiscal year, mainly due to an increase in accumulation of quarterly profit attributable to owners of parent and issuance of new shares.

Equity attributable to owners of parent per share grew from ¥1,420.37 at the end of the previous consolidated fiscal year to ¥1,460.00, and ratio of equity attributable to owners of parent to total assets was 36.9%, compared with 35.4% at the end of the previous consolidated fiscal year.

(3) Summary of cash flow for the current period

Cash flows from operating activities was an inflow of ¥43,784 million after deducting payments including corporate taxes from profit before tax and allowances for depreciation, which was a decrease of ¥17,427 million compared to that in previous consolidated fiscal year.

Cash flows from investing activities was an outflow of ¥115,597 million, an increase in expenditures of ¥23,981 million compared to the previous consolidated fiscal year, due primarily to an increase in expenditures resulting from acquisition of businesses and shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financial activities was an inflow of ¥80,981 million, which was an increase of ¥41,936 million compared to that in the previous consolidated fiscal year, due mainly to proceeds from issuance of new shares.

As a result of the foregoing, cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2020 stood at ¥41,861 million, an increase of ¥9,752 million compared to the end of the previous consolidated fiscal year.

(4) Outlook for the next fiscal year

The spread of the COVID-19 infections has stalled various economic activities across the world and is significantly impacting the real economy. Companies are seeing sharp falls in their production and sales. The business environment surrounding our corporate group is also difficult. Almost all of our business fields were affected by a decrease in product demand and the loss of sales opportunities, although the severity of the impact varies by business. Our industrial gas business, in particular, is affected by a decline in gas demand as a result of production adjustment in steel and automobile industries. In our medical business was affected by the postponement of hospital facility construction projects. Also in our agriculture and food products business, it is feared that a prolonged slump in the restaurant and tourism industries could cause a significant decline in sales of our frozen and processed food products for commercial use.

Under these circumstances, our corporate group will concentrate our efforts to reduce costs across all businesses in order to minimize the impact of the COVID-19 on our results. At the same time, we will continue to take thorough steps to prevent the spread of the infections and to consider safety in order to fulfill our responsibility of ensuring a stable supply of our products, including our industrial gas and medical gas, while giving maximum consideration to the protection of all of our group's employees. Also, in order to maintain sufficient financial stability in preparation for situations in which the stagnation of economic activities protracted, we will carefully select future M&A and facility investment projects by cautiously monitoring changes in the business environment.

For the next fiscal year forecast, we forecast revenue of ¥810,000 million, operating profit of ¥46,000 million, profit before tax of ¥45,000 million and profit attributable to owners of parent of ¥27,000 million for the fiscal year ending March 31, 2021. We have provided only a full-year forecast because it is impossible to reasonably predict the time when the COVID-19 infections will subside.

The predictions stated above are a forecast based on certain premises that are judged to be rational in light of the information our company has obtained up to the present time. The business environment for the next fiscal year ending March 31,2021, in which the performance forecast was made, is particularly based on the following assumptions: Although the COVID-19 will significantly restrict economic activities including corporate production and investment in Japan and abroad during the first quarter, the voluntary restraint of economic activities will be relaxed in and after the second quarter, and the business environment moves towards normalization at a gradual pace over the period to the end of the fiscal year 2020 and will have almost returned to normal at the beginning of the fiscal year 2021. Actual results may differ significantly in the future due to various factors, including the time of the convergence of the spread of infection and the period required to resume economic activity. If a necessity for revising the results forecast arises, we will promptly disclose such revisions.