August 6, 2020

Consolidated Financial Results (Under IFRS)
For the First Quarter of the March 31, 2021 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, 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	%
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
Three months ended June 30, 2019	183,313	7.2	10,971	13.2	11,120	12.4	7,630	10.1	7,143	5.5	7,835	-14.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	19.57	19.55
Three months ended June 30, 2019	36.48	36.41

(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, 2020	890,673	353,432	332,791	37.4
As of March 31, 2020	899,699	351,815	331,992	36.9

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
The fiscal year ended March 31, 2020	—	20.00	—	24.00	44.00
The fiscal year ending March 31, 2021	—				
The fiscal year ending March 31, 2021 (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, 2021

(% of change from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
The second quarter (cumulative)	380,000	−1.4	19,000	−14.2	18,500	−15.4	10,000	−18.0	43.96
The fiscal year	810,000	0.1	46,000	−9.1	45,000	−9.7	27,000	−11.3	118.69

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

Based on information and predictions currently available, cumulative second quarter consolidated results forecasts were calculated and we hereby made it available to the public. The full-year business forecasts are unchanged from the business forecasts announced on May 28, 2020.

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, 2020: 229,755,057 shares
  - As of March 31, 2020: 229,755,057 shares
- b. Number of shares of treasury shares
  - As of June 30, 2020: 2,252,484 shares
  - As of March 31, 2020: 2,362,804 shares
- c. Average number of shares during the term
  - First Three months of the fiscal year ending March 31, 2021: 227,463,606 shares
  - First Three months of the fiscal year ended March 31, 2020: 195,821,137 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

The Japanese economy in the cumulative first quarter of the current consolidated fiscal year remained unpredictable, with corporate activities and consumer spending having significantly shrunk due to closure and stay-at-home requests resulting from the issuance of the state of emergency declaration caused by the spread of the COVID-19 infection, and with the global economy having worsened sharply due to emergency measures taken by each country to prevent the spread of the infection.

In such a business environment, our corporate group maintained stable supply systems for our products including industrial gas and medical gas, by thoroughly implementing infection prevention measures. Also, in order to respond to changes in market needs in the corona crisis, we launched new initiatives to develop high-value-added products and cultivate new markets focusing on the equipment and materials for electronics applications, the demand for which have been growing due to the next-generation communication standard (5G) and the IoT, and on infectious disease prevention fields in the medical business.

We have also been working on operational reforms and the innovation of corporate culture, such as the promotion of work style improvement and sales restructuring based on digitalization to respond to the “new normal” following the corona shock.

Our eight regional business companies in Japan beat back the impact of the COVID-19 and achieved steady growth, resulting in them exhibiting stability, which is our company’s strength, as the real strength of regional businesses. In order to build a strong business foundation that drives improved profitability and sustainable growth in Japan in the future, we will implement management reform, in which the current eight regional business companies will be merged into three newly born companies effective October 1 this year.

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

For the current first quarter consolidated cumulative period, the group’s revenue was ¥180,259 million (98.3% that of the corresponding period of the previous year), operating profit was ¥8,719 million (79.5%), and profit attributable to owners of parent was ¥4,451 million (62.3%).

2) Consolidated results by segment for this period

(Million yen)

	Revenue		Operating profit	
	FY 2020.1Q	**YoY Growth**	**FY 2020.1Q**	**YoY Growth**
Industrial Gas Business	40,626	94.7%	3,928	82.6%
Chemical Business	6,978	147.1%	251	- %
Medical Business	40,552	97.0%	635	58.6%
Energy Business	11,037	97.2%	761	119.3%
Agriculture and Food Products Business	31,588	91.6%	323	37.5%
Logistics Business	13,046	106.3%	662	112.7%
Seawater Business	8,377	95.8%	236	46.5%
Other Businesses	28,052	104.0%	710	52.0%
(Adjustment)	-	- %	1,208	101.2%
Total	180,259	98.3%	8,719	79.5%

(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 ¥40,626 million (94.7% that of the corresponding period of the previous year), and operating profit was ¥3,928 million (82.6%), partly due to a reactionary decrease resulting from the recording of a gain on sale of land in the same period of the previous fiscal year.

In our **gas business**, our on-site gas supply services to steel manufacturers continued to be in a difficult situation due to a decline in sales volume resulting from the shutdown of our major customers' blast furnaces. On the other hand, our gas supply services to electronics applications saw a steady growth in sales volume as a result of the phased installation of gas plants to respond to the facility expansions and production increases by domestic semiconductor manufacturers due to the growing demand from data centers and 5G-related products. Although our gas supply services via tank lorries and cylinders were affected by a decline in regional gas demand, the services achieved an increase in market share by steadily advancing the construction of new filling stations and the strengthening of the collaboration with leading regional gas dealers. In June this year, our 19th "VSU," a highly efficient and compact liquefied oxygen and nitrogen co-production plant, newly started its commercial operation in Yamagata Prefecture.

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

Our **overseas business** was benefited by the new consolidation of Air Water India Private Limited, which acquired industrial gas businesses from Praxair India Private Limited and Linde India Limited, respectively in the previous fiscal year. Although there were impacts of a lockdown (the closure of cities) on the industrial gas business in India for the cumulative first quarter of the current consolidated fiscal year, its mainstay on-site gas supply services to blast furnaces recovered to pre-corona outbreak levels as early as in June this year.

<Chemical business>

Revenue of this segment was ¥6,978 million (147.1% that of the corresponding period of the previous year), and operating profit was ¥251 million (operating loss was ¥ 29 million in the same period of the previous year).

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

Although **Kawasaki Kasei Chemicals Ltd.** was affected by a decrease in sales of phthalic anhydrides, it offset the impact with a recovery in sales of naphthoquinone and an increase in sales of succinic acids used for bath salts.

<Medical business>

Revenue of this segment was ¥40,552 million (97.0% that of the corresponding period of the previous year), and operating profit was ¥635 million (58.6%).

Our **facility business** saw postponement of, and delay in, hospital facility construction projects, particularly for operating rooms, affected by the COVID-19. Facility construction projects in Singapore were also affected by restrictions on economic activities posed to prevent the spread of infection. There were also up-front expenses incurred to pursue research and development associated with perioperative medical support systems and the dental pulp regeneration business.

As a system to reduce the risks of in-hospital infection among medical staffs and patients, we started the sales and rental of a remote diagnostics support system "NOALON" in May this year.

Our **medical treatment services and medical gas business** were affected by a decrease in the number of outpatients due to a reduced number of operations and the voluntary ban on leaving home. On the other hand, our **hygiene products business** performed favorably thanks to an increase in sales of infection control products for medical staffs, such as infection protectors and hand sanitizers. Our **home medical care service** performed strongly as a result of the shift from hospital treatment to home care of inpatients due to in-hospital infection control measures.

<Energy business>

Revenue of this segment was ¥11,037 million (97.2% that of the corresponding period of the previous year), and operating profit was ¥761 million (119.3%).

Our **LP gas business** was affected in terms of sales due to a decline in demand from restaurants and plants and a fall in unit sales prices that move in tandem with import prices. In such an environment, the business saw not only an increase in the number of customers for consumer use as a result of the acquisition of commercial rights of retailers and the promotion of activities to increase customers, but also an increase in per-capita unit consumption driven by stay-at-home demand. Coupled with a higher direct sales ratio, the business remained robust in terms of profit. Although sales volume of kerosene remained at the same level as in the previous year, its unit sales prices fell due to a fall in crude oil prices. Our equipment and construction business was affected by a decline in new orders and postponement of construction due to the COVID-19.

Pacific Petroleum Import and Export Trading Joint Stock Company, an LP gas business company in Vietnam which we acquired through M&A in the previous consolidated fiscal year, was newly included in the scope of consolidation.

<Agriculture and food products business>

Revenue of this segment was ¥31,588 million (91.6% that of the corresponding period of the previous year), and operating profit was ¥323 million (37.5%).

Our **farm products and food processing business** faced difficult conditions due to a sharp decline in demand for frozen and processed food products for commercial use, particularly those for restaurants, hotels and school lunches. In the farm products and food processing sector, there were impacts associated with the disposal of agricultural product stocks, due to a good harvest in the previous year. Our ham/delicatessen sector offset this impact by focusing on commercial home delivery products that respond to the stay-at-home demand, despite a decline in demand for products for commercial use. Our sweets sector entered a recovery trend thanks to progress made in improving profits.

Our **beverage business** saw a significant fall in volume of contract manufacturing due to a decline in products for events and offices as a result of wider introduction of a voluntary ban on leaving home and telecommuting. In March this year, we started operation of state-of-the-art PET bottle filling lines at our production plants in Hokkaido to enhance a production system for future expansion in orders.

In our **other businesses**, results of our fruit and vegetable retail sector exceeded the previous year’s levels in terms of profit through the improvement of earnings, although the business was affected by stores’ shorter operating hours and closures. Sales of weeding agricultural equipment grew steadily in our agricultural machine sector.

<Logistics business>

Revenue of this segment was ¥13,046 million (106.3% that of the corresponding period of the previous year), and operating profit was ¥662 million (112.7%).

Although our **transport business** saw a decline in volume of shipments, particularly those of automobiles and construction materials, due to the stagnation in economic activities, the impacts were offset by strong shipments for feedstuff and the contribution of cost improvement associated with a fall in diesel oil prices. KATSURA COMMERCE Co., Ltd. a western Japan-based transport and warehouse operator, which the Company acquired through M&A in the cumulative first quarter of the current consolidated fiscal year, was newly included in the scope of our consolidation.

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

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

<Seawater business>

Revenue of this segment was ¥8,377 million (95.8% that of the corresponding period of the previous year), and operating profit was ¥236 million (46.5%).

Our **seawater business** saw a decline in profit, due to a decrease in sales volume of commercial salts for restaurants and school lunches, and also because of a large-scale periodical repair implemented in our Sanuki plant. Our environment business remained in difficult conditions due to sluggish sales of our magnesium hydroxide used for flue-gas desulfurization caused by a lower operation at our customers’ plants. Our sewage pipe rehabilitation business remained robust driven by continued buoyant demand. Our power generation business was affected by a decrease in the number of operating days due to a periodic repair carried out on a biennial basis at the Onahama power plant of our equity method affiliate Summit Onahama S Power Corporation. The construction of the Ako No. 2 Biomass power plant, which is scheduled to start operation in October this year, proceeded smoothly as planned.

Our **magnesia business** grew steadily, due to price revisions made for magnesia for electromagnetic steel plates and due to 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 ¥28,052 million (104.0% that of the corresponding period of the previous year), and operating profit was ¥710 million (52.0%).

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

In our **overseas engineering business**, the industrial gas sector was affected by the restricted operation of plants in Malaysia, due to the spread of the COVID-19. The high power UPS (uninterrupted power supply systems) sector was impacted by the stagnation of economic activities in Singapore and Europe.

In our power generation business in our **other businesses**, stable operations continued at our woody biomass-coal mixed firing power plant (Hofu-shi, Yamaguchi Prefecture). The construction project for the woody biomass-burning power plant, which is in progress in Iwaki-shi, Fukushima Prefecture and scheduled to start operation in April 2021, progressed steadily as planned.

Our O-ring business, which manufactures and sells sealing parts for machines, performed steadily thanks to an increase in sales of products for semiconductor manufacturing equipment.

(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 ¥890,673 million, a decrease of ¥9,026 million compared to the end of the previous consolidated fiscal year due primarily to decreases in trade and other receivables. Liabilities stood at ¥537,240 million, a decrease of ¥10,644 million compared to the end of the previous consolidated fiscal year due mainly to decreases in trade and other payables. Equity stood at ¥353,432 million, an increase of ¥1,617 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 ¥1,460.00 at the end of the previous consolidated fiscal year to ¥1,462.80, and ratio of equity attributable to owners of parent to total assets was 37.4%, compared with 36.9% 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 ¥13,826 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was an increase of ¥5,777 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 ¥16,092 million, an increase in expenditures of ¥11,229 million compared to the previous first quarter consolidated cumulative period, due mainly to a reactionary decrease in proceeds resulting from the recording of proceeds from sale of businesses in the same period of the previous fiscal year, despite a decrease in purchase of property, plant and equipment.

Cash flows from financial activities for the current first quarter consolidated cumulative period was an outflow of ¥4,340 million, which was an increase in expenditures of ¥1,382 million compared to that in the previous first quarter consolidated cumulative period, due mainly to an increase in expenditures resulting from dividends paid and repayments of short-term borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the current first quarter consolidated cumulative period stood at ¥36,101 million, an increase of ¥3,521 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

The consolidated results forecast announced on May 28, 2020 presents only full-year results, because it was impossible to reasonably predict when the COVID-19 subsides. However, based on information and predictions currently available, cumulative second quarter consolidated results forecasts were calculated and we hereby made it available to the public. The full-year business forecasts are unchanged from the business forecasts announced on May 28, 2020.