

May 26, 2021

For Immediate Release

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**(Correction) Partial Correction of Financial Results Explanatory Materials for Fiscal Year 2020**

AIR WATER INC. (hereinafter, the "Company") announces that there were matters that should have been partially corrected in the description of the Financial Results Explanatory Materials for Fiscal Year 2020 announced on May 12, 2021.

Details are as follows.

1. Reason for the correction

Please refer to "(Corrections and Correction of Numerical Data) Partial Correction of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (IFRS) (Consolidated)" announced today.

2. Corrections

Corrections are underlined. Because there are numerous corrections, the whole text of the corrected Consolidated Financial Results and Financial Results Explanatory Materials is attached.

After correction

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**Fiscal Year 2020 Full Year**

**Financial Results**

**Explanatory Materials**

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Meeting society's needs with nature's blessings.



**May 12, 2021**

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## Full-year Financial Results for Fiscal Year 2020

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## Fiscal Year 2021 Full-Year Financial Results

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## Notes

- The numerical targets and forecasts presented in this document reflect the judgment of the Company based on information currently available and involve potential risks and uncertainties. Therefore, note that actual business performance may differ significantly from the projections made herein due to changes in various factors.
- **The Company has adopted International Financial Reporting Standards (IFRS) beginning in the first quarter of fiscal year 2019.**

## Main points of the full-year financial results for fiscal year 2020

● Revenue 806.6 billion yen (99.7% year-on-year)



**Record-high operating profit was achieved**

**Operating profit 51.2 billion yen (101.2% year-on-year)**

- Although the Group was severely affected by COVID-19 in the first half of the fiscal year, it succeeded in capturing new demand in the fields of energy, agriculture & food products, hygiene materials, and infection control, such as aerosols, in the second half of the year.
- Industrial gas maintained strong sales on the back of robust demand for steel in India among the overseas markets and for electronics due to the brisk semiconductor market in Japan.
- Revenue improvement was centered on chemical and agriculture & food products while cost reduction was promoted through work style reforms and other actions.

## Main points of the full-year financial forecast for fiscal year 2021

● Revenue 880 billion yen (109.1% year-on-year)



**A new record high expected**

**Operating profit 58 billion yen (113.2% year-on-year)**

【Main factors behind business growth】

- Electronics-related items have maintained strong sales. Captured expanding demand associated with the recovering business environment including resurgent steel manufacturing and the continuing demand for infection control products.
- Woody biomass power generation (Ako No.2 Power Plant and Onahama Power Plant) contributed to earnings.
- Initiatives to improve revenues in each business and the effect of reduced expenses maintained.

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# **Full-year Financial Results for Fiscal Year 2020**

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# Consolidated income statement

(Unit: Billion yen)

	FY2019	FY2020	Increase/decrease	
			Amount	YoY
<b>Revenue</b>	809.1	<b>806.6</b>	▲2.5	99.7%
Cost of sales	▲628.5	▲625.7	+2.7	
<b>Gross profit</b>	180.6	<b>180.9</b>	+0.3	100.2%
Selling, general and administrative expenses	▲135.4	▲135.4	▲0.0	
Other operating income and expenses	3.8	3.4	▲0.3	
Share of profit of investments accounted for using the equity method	1.6	2.3	+0.7	
<b>Operating profit</b>	50.6	<b>51.2</b>	+0.6	101.2%
Finance income and costs	▲0.8	▲1.6	▲0.8	
<b>Profit before income taxes</b>	49.8	<b>49.7</b>	▲0.2	99.6%
Income taxes	▲16.1	▲19.3	▲3.2	
Profit (loss) from discontinued operations	▲0.2	0.1	+0.3	
<b>Profit</b>	33.5	<b>30.4</b>	▲3.1	90.7%
<b>Owners of parent</b>	30.4	<b>27.4</b>	▲3.1	89.9%
Non-controlling interests	3.1	3.0	▲0.1	
Operating profit margin	6.3%	<b>6.4%</b>		
ROE *1	10.0%	<b>7.9%</b>		
Basic earnings per share for the period" *2	147.43yen	<b>120.98yen</b>		

\*1 "Profit for the period attributable to owners of the parent" ÷ "Equity attributable to owners of the parent" (The average between the beginning and the end of the quarter)

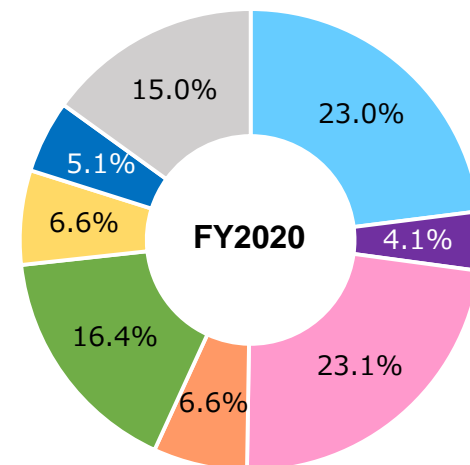
\*2 Basic earnings per share for the period are calculated based on the average number of issued shares during the period.

# Revenue by segment

(Unit: Billion yen)

	FY2019	FY2020	Increase/decrease	
			Amount	YoY
Industrial Gases	189.0	<b>185.6</b>	▲3.4	98.2%
Chemical	27.5	<b>33.4</b>	+5.9	121.4%
Medical	187.9	<b>186.4</b>	▲1.5	99.2%
Energy	52.0	<b>53.1</b>	+1.1	102.1%
Agriculture & Food Products	137.3	<b>132.6</b>	▲4.7	96.6%
Logistics	50.4	<b>53.3</b>	+2.9	105.7%
Seawater	40.0	<b>41.0</b>	+1.0	102.5%
Other	125.1	<b>121.3</b>	▲3.7	97.0%
<b>Total</b>	<b>809.1</b>	<b>806.6</b>	<b>▲2.5</b>	<b>99.7%</b>

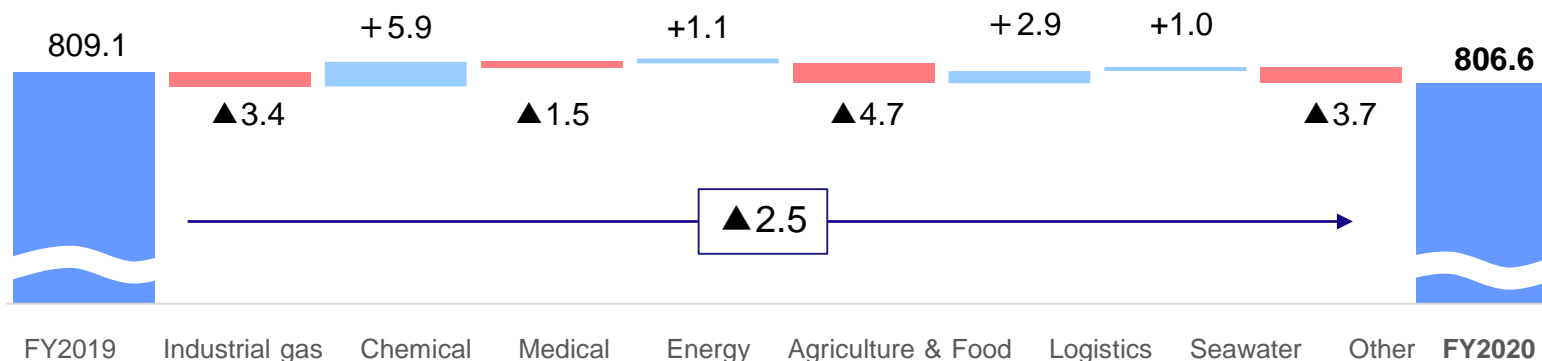
## Revenue breakdown by segment



- Industrial gas
- Chemical
- Medical
- Energy
- Agriculture & Food
- Logistics
- Seawater
- Other

## Revenue increase/decrease by segment

(Unit: Billion yen)



# Operating profit by segment

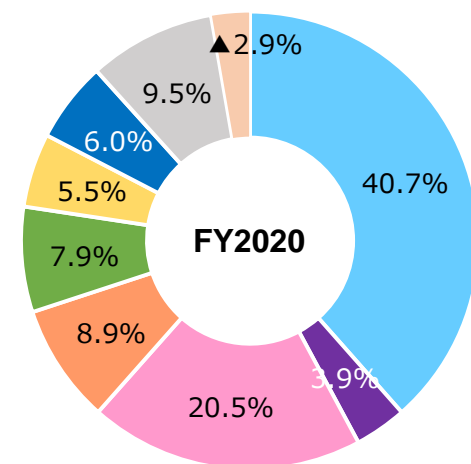
(Unit: Billion yen)

	FY2019	FY2020	Increase/decrease	
			Amount	YoY
Industrial Gases	19.2	20.9	+1.6	108.4%
Chemical	1.3	2.0	+0.7	148.8%
Medical	10.5	10.5	+0.0	100.4%
Energy	4.3	4.6	+0.3	107.2%
Agriculture & Food Products	3.3	4.0	+0.7	122.8%
Logistics	2.4	2.8	+0.4	118.2%
Seawater	2.9	3.1	+0.1	105.0%
Other	7.3	4.9	▲2.5	66.1%
(Adjustment) *	▲0.6	▲1.5	▲0.9	-
<b>Total</b>	<b>50.6</b>	<b>51.2</b>	<b>+0.6</b>	<b>101.2%</b>

\* Adjustment: Elimination of intersegment transactions and profit or loss of the Company's Head Office divisions that are not allocated to each reporting segment.

\*R&D expenses for new business areas that were previously recorded in each segment have been included in "adjustments" starting the second quarter of the fiscal year under review. Accordingly, figures for the previous fiscal year for comparison is restated according to the new classification.

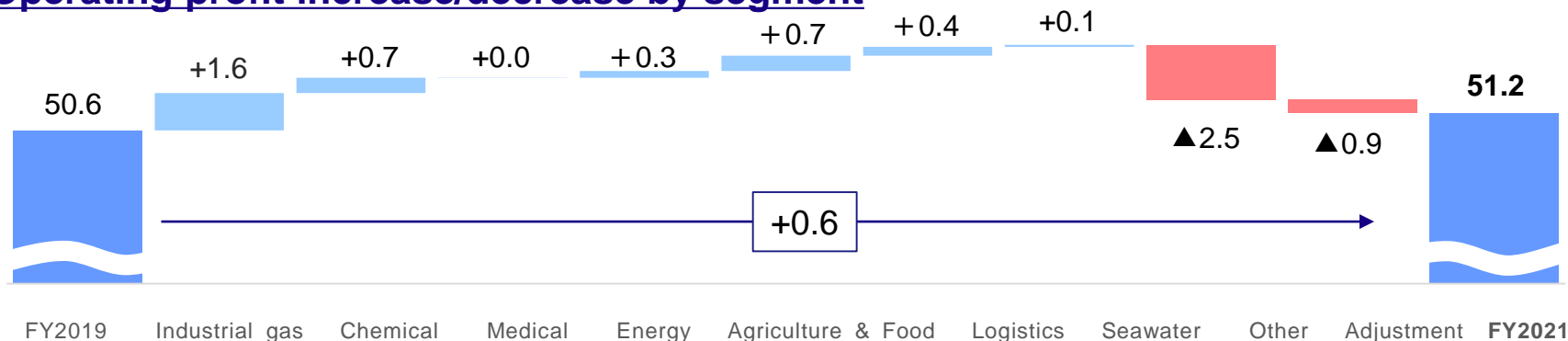
## Operating profit composition ratio by segment



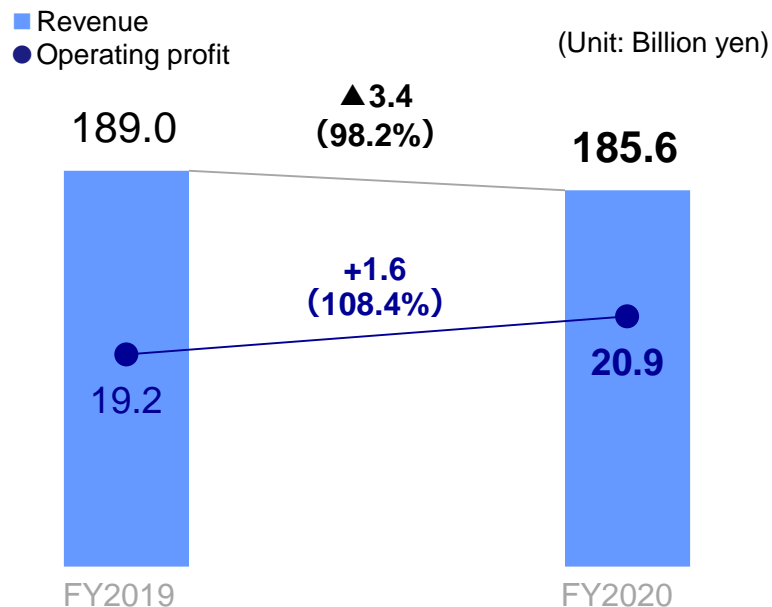
- Industrial gas
- Medical
- Agriculture & Food
- Seawater
- Adjustment
- Chemical
- Energy
- Logistics
- Other

## Operating profit increase/decrease by segment

(Unit: Billion yen)







## Main increase/decrease factors

### ■ Revenue ▲3.4 billion yen

- 【-】 · Decline in on-site gas supply services to steel manufacturers
- Decline in tanker truck and cylinder supply services
- 【+】 · Increase in large engineering projects
- Effects of the consolidation of Air Water India Private Limited

### ■ Operating profit +1.6 billion yen

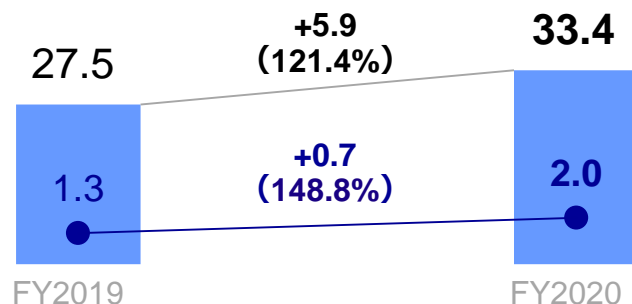
- 【+】 · Effects of the consolidation of Air Water India Pvt. Ltd.
- Increase in sales of gas/equipment for electronics
- 【-】 · Decline in tanker truck and cylinder supply services

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase/ decrease	YoY
Gas	118.3	107.1	▲11.3	90.5%
Equipment, construction and others	60.6	62.6	+1.9	103.2%
Overseas	10.0	15.9	+5.9	159.2%
Total	189.0	185.6	▲3.4	98.2%

■ Revenue  
● Operating profit  
(Unit: Billion yen)



## Main increase/decrease factors

### ■ Revenue +5.9 billion yen

- 【+】・ Effects of the consolidation of FILWEL Co., Ltd. and Daito Chemical Co., Ltd.
- 【-】・ Decline in unit price and sales of phthalic anhydride

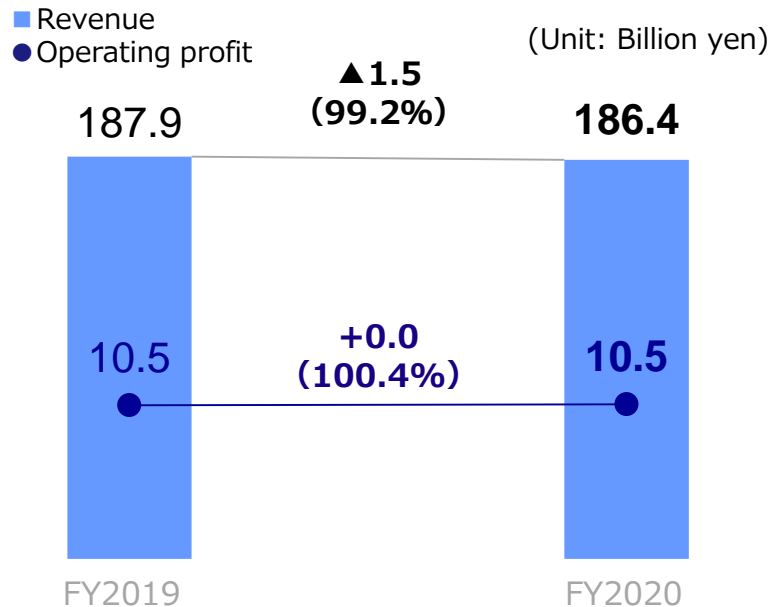
### ■ Operating profit +0.7 billion yen

- 【+】・ Effects of the consolidation of FILWEL Co., Ltd. and Daito Chemical Co., Ltd.
- ・ Increase in sales of functional chemicals for electronic materials
- ・ Progress in earnings improvement as a result of plant reorganization
- 【-】・ Disappearance of other revenue posted in the previous fiscal year  
(Gain from difference between profit on negative  
※ goodwill of Daito Chemical Co., Ltd. and loss on business restructuring associated with the closure of a plant in China)

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase/ decrease	YoY
Functional chemicals	15.7	<b>22.2</b>	+6.5	141.6%
Kawasaki Kasei Chemicals	11.8	<b>11.1</b>	▲0.7	94.5%
Total	27.5	<b>33.4</b>	+5.9	121.4%



## Main increase/decrease factors

### ■Revenue ▲1.5 billion yen

- 【 - 】 · Decline in volume of medical services (SPD) due to a decrease in the numbers of outpatients and operations
- Postponement and delay of hospital facility construction projects and maintenance inspections in Japan and Singapore
- 【 + 】 · Increase in sales of infection control products such as masks, hand sanitizers and simple negative pressure devices

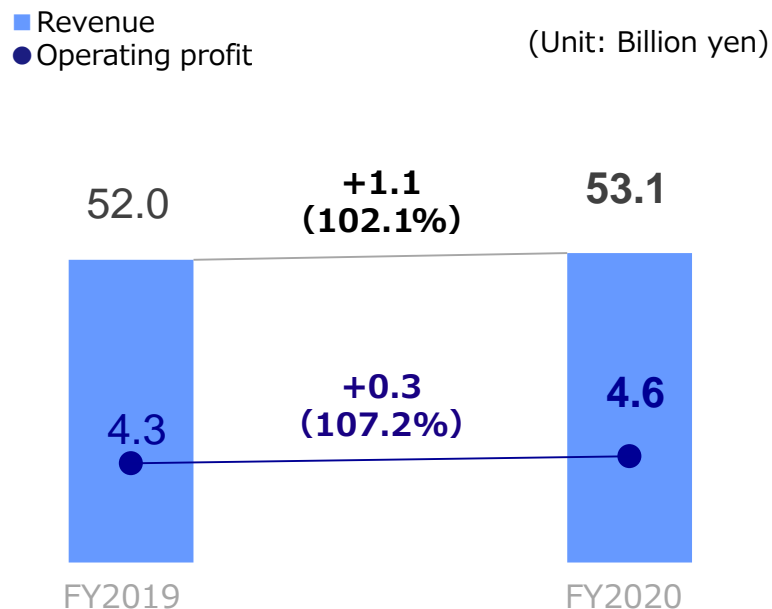
### ■Operating profit +0.0 billion yen

- 【 + 】 · Increase in sales of infection control products
- 【 - 】 · Postponement and delay of hospital facility construction projects and maintenance inspections in Japan and Singapore

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase/ decrease	YoY
Hospital facilities	30.5	28.1	▲2.4	92.1%
Medical treatment services	84.7	77.8	▲6.9	91.8%
Medical gas	8.8	8.3	▲0.4	95.1%
Medical equipment	7.2	10.0	+2.8	139.3%
Home medical care	9.5	10.1	+0.6	106.5%
Hygiene products	24.8	30.4	+5.6	122.5%
Other	22.4	21.7	▲0.7	96.8%
<b>Total</b>	<b>187.9</b>	<b>186.4</b>	<b>▲1.5</b>	<b>99.2%</b>



## Main increase/decrease factors

### ■ Revenue +1.1 billion yen

- 【+】 · Effects of the consolidation of a subsidiary in Vietnam
- 【-】 · Decrease in kerosene sales price due to market conditions

### ■ Operating profit +0.3 billion yen

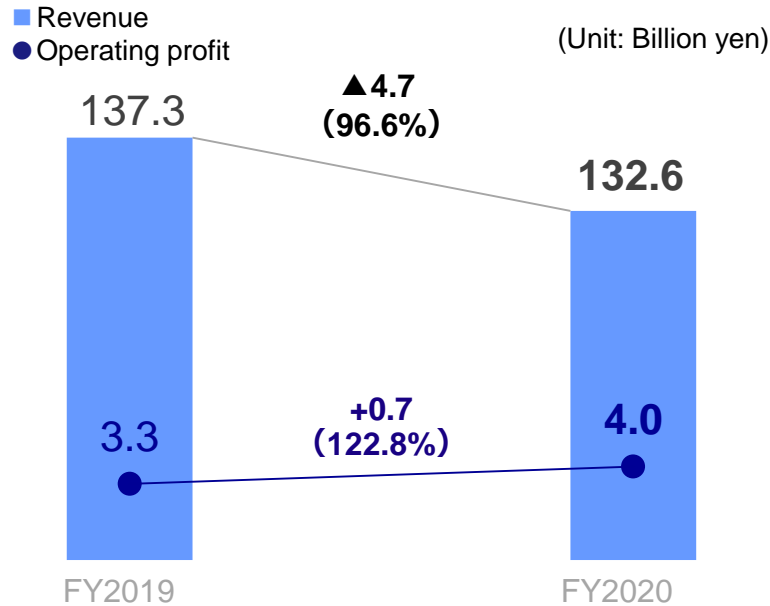
- 【+】 · Sales of LP gas for consumer use increased due to an increase in time spent at home
- 【-】 · Decrease in sales and constructions of energy-related equipment

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase/ decrease	YoY
LP gas	50.6	51.7	+1.0	102.0%
Natural gas-related	1.3	1.4	+0.1	107.5%
Total	52.0	53.1	+1.1	102.1%

# Agriculture & Food Products Business: Revenue and operating profit



## Main increase/decrease factors

### ■ Revenue ▲4.7 billion yen

- 【-】 · Closure and shorter operating hours of stores in the vegetable and fruit retail sector
- Decline in volume of contract manufacturing of beverages due to people refraining from leaving home
- Decline in demand from restaurants and hotels for food products for commercial use

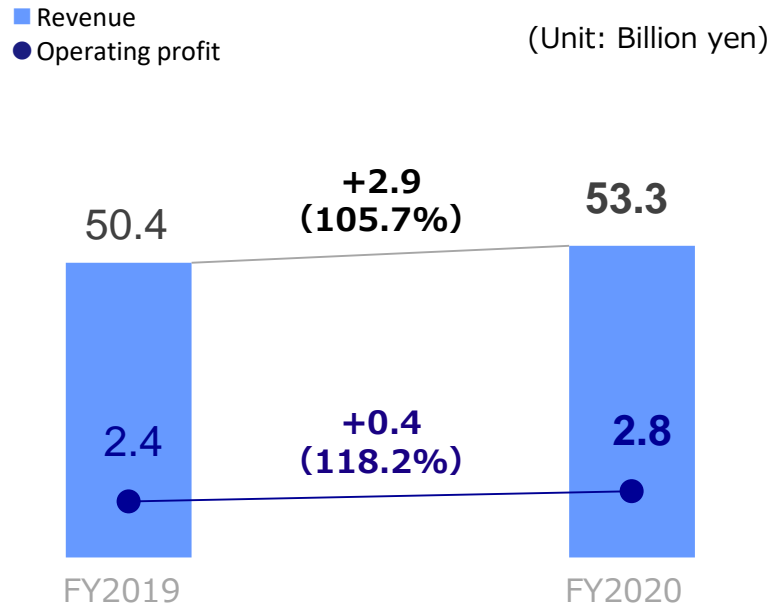
### ■ Operating profit +0.7 billion yen

- 【+】 · Progress in earnings in the sweets sector and the vegetable and fruit retail sector
- 【-】 · Decline in demand for food products for commercial use from restaurants and hotels

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase/ decrease	YoY
Farm products and food processing	58.7	57.8	▲1.0	98.4%
Beverage	50.0	48.2	▲1.8	96.4%
Other	28.6	26.6	▲2.0	93.1%
Total	137.3	132.6	▲4.7	96.6%



## Main increase/decrease factors

### ■ Revenue +2.9 billion yen

- 【+】
  - Effects of new consolidation of KATSURA TSUSHO Co., Ltd.
  - Increase in volume of shipments of low-temperature logistics for supermarkets
- 【-】
  - Decline in volume of chassis transport shipment

### ■ Operating profit +0.4 billion yen

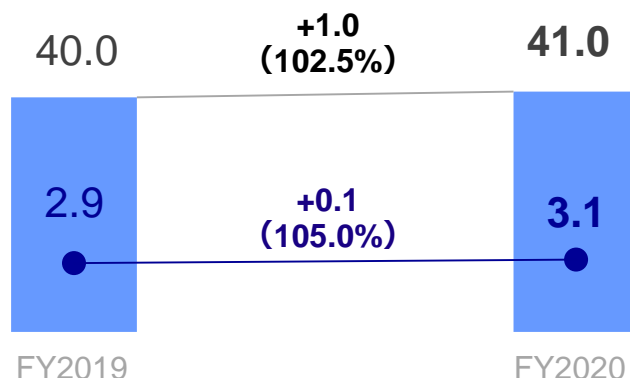
- 【+】
  - Fall of diesel oil prices
  - Improved operating rate of low-temperature logistics center
  - Effects of the consolidation of KATSURA TSUSHO Co., Ltd.
- 【-】
  - Decline in volume of chassis transport shipment

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase/ decrease	YoY
Transport	22.1	24.3	+2.2	109.9%
3PL	22.9	23.4	+0.6	102.4%
Vehicle body manufacturing	5.4	5.6	+0.1	102.6%
Total	50.4	53.3	+2.9	105.7%

■ Revenue  
● Operating profit (Unit: Billion yen)



## Main increase/decrease factors

### ■ Revenue +1.0 billion yen

- 【+】
  - Ako No.2 Biomass Power Plant began operating
  - Increase in orders received for water treatment systems and sewage pipe rehabilitation
- 【-】
  - Decline in sales of magnesia for general ceramic engineering

### ■ Operating profit +0.1 billion yen

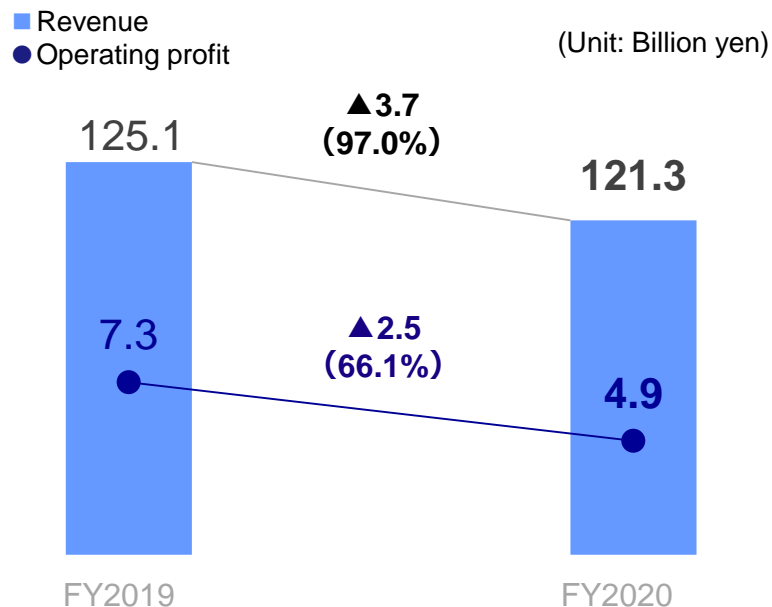
- 【+】
  - Ako No.2 Biomass Power Plant began operating
- 【-】
  - Large repair of Sanuki Plant
  - Regular repair of Onahama Power Plant (implemented biannually)

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase /decrease	YoY
Salt-related *	30.0	32.8	+2.8	109.5%
Magnesia	10.0	8.2	▲ 1.9	81.5%
Total	40.0	41.0	+1.0	102.5%

\* The segment consists of the salt manufacturing business, environmental business, electric power business and food product business of Nihonkaisui Co., Ltd.



## Main increase/decrease factors

### ■ Revenue ▲3.7 billion yen

- 【-】 · Decline in sales of electronics materials for in-vehicle applications
- Decrease in construction projects of construction-related subsidiaries
- 【+】 · Operation of Hofu Power Plant (began July 2019)

### ■ Operating profit ▲2.5 billion yen

- 【-】 · Regular equipment inspection at Hofu Power Plant (first time since operations began)
- Project delays in high-power UPS sector
- 【+】 · Increase in volume of contract manufacturing of alcohol-based sanitizing agents in the aerosol business

## ■ Revenue by sub-segment

(Unit: Billion yen)

	FY2019	FY2020	Increase /decrease	YoY
Aerosol	20.3	20.8	+0.6	102.7%
Information and electronics materials	40.1	38.9	▲1.1	97.2%
Overseas engineering	23.5	23.0	▲0.5	97.8%
Other	41.2	38.6	▲2.6	93.7%
Total	125.1	121.3	▲3.7	97.0%



# Consolidated statement of financial position

(Unit: Billion yen)

	End of March 2020	End of March 2021	Increase/decrease	
			Amount	Change %
Current assets	333.3	<b>335.8</b>	+2.5	100.7%
Non-current assets	566.4	<b>591.1</b>	+24.6	104.3%
<b>Total assets</b>	899.7	<b>926.8</b>	+27.1	103.0%
Current liabilities	283.5	<b>239.1</b>	▲44.4	84.3%
Non-current liabilities	264.4	<b>315.3</b>	+50.9	119.3%
<b>Total liabilities</b>	547.9	<b>554.4</b>	+6.5	101.2%
<b>Total equity</b>	351.8	<b>372.4</b>	+20.6	105.8%
<b>Total liabilities and equity</b>	899.7	<b>926.8</b>	+27.1	103.0%
Equity attributable to owners of the parent	332.0	<b>357.8</b>		
Interest-bearing liabilities	334.2	<b>337.8</b>		
Equity ratio attributable to owners of the parent	36.9%	<b>38.6%</b>		
Net D/E ratio *	0.88	<b>0.82</b>		

\* "Net interest-bearing liabilities" ÷ "Equity attributable to owners of the parent"

## Cash flow status

(Unit: Billion yen)

		FY2019	FY2020	Increase /decrease
Operating cash flows	[(1)]	43.8	<b>76.6</b>	+ 32.8
Investment cash flows	[(2)]	▲ 115.6	▲ <b>52.7</b>	+ 62.9
Financial cash flows	[(3)]	81.0	▲ <b>20.9</b>	▲ 101.9
Total cash flows	[(1)+(2)+(3)]	9.2	<b>3.0</b>	▲ 6.2
Cash and cash equivalents at the end of the period		41.9	<b>46.0</b>	+ 4.1
Free cash flows [(1)+(2)]		▲ 71.8	<b>23.9</b>	+ 95.7

# Capital investment, depreciation and R&D expenses

(Unit: Billion yen)

	FY2019	FY2020	Increase/ decrease
Capital investment	62.9	<b>52.0</b>	▲10.9
Depreciation	35.0	<b>39.0</b>	+4.0
R&D expenses	2.9	<b>3.4</b>	+0.6

## Capital Investments by Segment

(Unit: Billion yen)

segment	FY2019	FY2020	Increase/ decrease
■ Industrial gas	21.0	<b>17.6</b>	▲3.3
■ Chemical	1.7	<b>2.6</b>	+0.8
■ Medical	4.6	<b>5.5</b>	+0.9
■ Energy	3.5	<b>3.1</b>	▲0.4
■ Agriculture & Food	6.7	<b>2.6</b>	▲4.1
■ Logistics	8.1	<b>6.7</b>	▲1.4
■ Seawater	9.3	<b>8.4</b>	▲0.9
■ Other	7.9	<b>5.4</b>	▲2.5
(Of them, electricity generation-related)	(7.5)	<b>(5.6)</b>	▲1.9
Total	62.9	<b>52.0</b>	▲10.9

### Major capital investments

- On-site plant for electronics
- VSU plant (Yamagata)
- Expansion of filling stations (Nagasaki, Kitakyushu, hiba, etc.)
- New plant for injection needles (Misawa Medical Industry Co., Ltd.)
- New plant for dental materials (DENKEN-HIGHDENTAL Co., Ltd.)
- Expansion of low-temperature logistics center (Sapporo)
- New logistics center (Tomakomai)
- Ako No.2 power plant

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# **Supplementary Materials**

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## Number of consolidated companies

	End of March 2020	End of March 2021	Increase/decrease
Consolidated subsidiaries*	125	<b>124</b>	Increase of 6 companies Decrease of 7 companies
Equity method affiliates	17	<b>14</b>	Increase of 1 companies Decrease of 4 companies
Total	142	<b>138</b>	Increase of 7 companies Decrease of 11 companies

\*The number of consolidated subsidiaries contains only the subsidiaries which are directly included in the Company's consolidated accounting. It does not contain affiliated companies which are included in the consolidated accounting of consolidated subsidiaries. The above consolidated subsidiaries include joint operations.

## Major newly consolidated companies for fiscal year 2020

Company name	Segment	Time of start of consolidation
Air Water Vietnam Co., Ltd.	Industrial Gases	2020.1Q
Pacific Petroleum Import and Export Trading Joint Stock Company	Energy	2020.1Q
KATSURATSUSHO Co., Ltd.	Logistics	2020.1Q

## (Reference) Major newly consolidated companies for fiscal year 2019

Company name	Segment	Time of start of consolidation
Air Water India Pte. Ltd.	Industrial Gases	2019.3Q
FILWEL Co., Ltd.	Chemical	2019.3Q
Daito Chemical Co., Ltd.	Chemical	2019.3Q
Ecofroz S.A.	Agriculture & Food Products	2019.3Q
Hitec Holding B.V.	Other	2019.3Q

## Revenue by product in the industrial gas and energy businesses

(Unit: Billion yen)

	FY2019	FY2020	Increase/decrease	
	Amount	Amount	Amount	YoY
Oxygen	29.0	<b>22.1</b>	▲6.8	76.4%
Nitrogen	29.7	<b>29.9</b>	+0.2	100.6%
Argon	13.0	<b>12.0</b>	▲1.1	91.8%
Carbon dioxide	21.2	<b>19.6</b>	▲1.6	92.3%
Hydrogen	4.7	<b>4.4</b>	▲0.3	92.8%
Helium	2.7	<b>2.6</b>	▲0.1	96.7%
Other gases	18.0	<b>16.5</b>	▲1.5	91.8%
Industrial gas total	118.3	<b>107.1</b>	▲11.3	90.5%
LP gas	25.6	<b>25.6</b>	▲0.0	100.0%
Kerosene	11.9	<b>10.4</b>	▲1.4	87.8%

\* Revenues generated by overseas industrial gas and LP gas businesses are not included.

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# **Fiscal Year 2021 Full-Year Financial Results Forecast**

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# Fiscal year 2021 full-year financial results forecast

(Unit: Billion yen)

	FY2020 (Results)	FY2021 (Forecast)	Increase/decrease	
			Amount	YoY
Revenue	806.6	<b>880.0</b>	+73.4	109.1%
Operating profit	51.2	<b>58.0</b>	+6.8	113.2%
Profit before income taxes	49.7	<b>56.5</b>	+6.8	113.8%
Profit attributable to owners of the parent	<u>27.4</u>	<b>36.0</b>	+ <u>8.6</u>	<u>131.5%</u>
Interest-bearing liabilities	337.8	<b>389.3</b>	+51.5	115.2%
Equity attributable to owners of the parent	<u>357.8</u>	<u>384.1</u>	+ <u>26.3</u>	<u>107.4%</u>
Total assets	926.8	<b>1016.6</b>	+89.8	109.7%
Operating profit margin	6.4%	<b>6.6%</b>		
ROE *1	<u>7.9%</u>	<u>9.7%</u>		
Basic earnings per share for the period	<u>120.98yen</u>	<b>159.46yen</b>		
Equity ratio attributable to owners of the parent	<u>38.6%</u>	<u>37.8%</u>		
Net D/E ratio *2	<u>0.82</u>	<u>0.91</u>		

\*1 "Profit attributable to owners of the parent" ÷ "Equity attributable to owners of the parent" (The average of the beginning and the end of the year)

\*2 "Net interest-bearing liabilities" ÷ "Equity attributable to owners of the parent"



# Full-year financial results forecast by segment

(Unit: Billion yen)

		FY2020 (Results)	FY2021 (Forecast)	Increase/decrease	
				Amount	YoY
Industrial Gases	Revenue	185.6	<b>197.0</b>	+11.4	106.2%
	Operating profit	20.9	<b>21.2</b>	+0.3	101.6%
Chemical	Revenue	33.4	<b>36.0</b>	+2.6	107.9%
	Operating profit	2.0	<b>2.3</b>	+0.3	115.5%
Medical	Revenue	186.4	<b>194.0</b>	+7.6	104.1%
	Operating profit	10.5	<b>11.6</b>	+1.1	110.4%
Energy	Revenue	53.1	<b>58.0</b>	+4.9	109.3%
	Operating profit	4.6	<b>4.6</b>	+0.0	100.9%
Agriculture & Food Products	Revenue	132.6	<b>144.0</b>	+11.4	108.6%
	Operating profit	4.0	<b>5.0</b>	+1.0	124.1%
Logistics	Revenue	53.3	<b>58.0</b>	+4.7	108.8%
	Operating profit	2.8	<b>3.2</b>	+0.4	113.0%
Seawater	Revenue	41.0	<b>45.0</b>	+4.0	109.8%
	Operating profit	3.1	<b>3.3</b>	+0.2	107.1%
Other	Revenue	121.3	<b>1,48.0</b>	+26.7	122.0%
	Operating profit	4.9	<b>9.4</b>	+4.5	193.7%
(Adjustment)	Operating profit	▲1.5	▲2.6	▲1.1	-
Total	Revenue	806.6	<b>880.0</b>	+73.4	109.1%
	Operating profit	51.2	<b>58.0</b>	+6.8	113.2%

## Industrial Gas Business

Electronics and overseas lead growth while the enhanced infrastructure network improves domestic profitability

	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease	YoY
Sales	185.6	<b>197.0</b>	+11.4	106.2%
Operating Profit	20.9	<b>21.2</b>	+0.3	101.6%
Operating Profit margin	11.2%	<b>10.8%</b>	▲0.5pt	-

### Main Factors behind the increase/decrease

- + Expansion of on-site nitrogen gas, special chemicals, and equipment construction for electronics
- + Recovery of regional business due to recovered demand from the domestic manufacturing industry
- + Recovery of demand for carbon dioxide and dry ice, and the alleviation of raw materials shortages

## Main measures for FY2021

### Changing the business portfolio from steel manufacturing-related items to electronics-related items

- Shifting the composition of business to be centered on electronics-related items, which have seen a growing market
- Acquire demand associated with increased production and construction of the world's most advanced semiconductor production bases
- Expand related sectors such as special chemicals and equipment construction as well as large-scale nitrogen gas supply services

### Deep cultivation of domestic industrial gas market

- Expand business by maximizing the functions of infrastructure networks such as VSU and filling stations
- Expand business based on the enhancement of hydrogen gas production plants
- Strengthen sales of gas and related equipment to users in the most advanced sectors such as electronics components and secondary batteries

### Expansion of overseas business

- Strengthen external sales of medical oxygen and other various gasses in India
- Expand steel manufacturing on-site business and bases using a large oxygen plant in India
- Construct overseas engineering system centered on India

### TOPICS: Acquire demand associated with investment for the increasing production and construction of the world's most advanced semiconductor production bases



Due to the expanding scale of the semiconductor market, major semiconductor manufacturers have continued to invest to increase production and construct new facilities. The construction of additional large nitrogen gas supply facilities is planned.

## Chemical Business

Enhance the foundation of business through the integration and reorganization of Group companies and other actions. Expand sales focusing on the electronics materials sector, the development of new products, and the optimization of production systems

	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease	YoY
Sales	33.4	<b>36.0</b>	+2.6	107.9%
Operating Profit	2.0	<b>2.3</b>	+0.3	115.5%
Operating Profit margin	6.0%	<b>6.4%</b>	+0.4pt	-

### Main Factors behind the increase/decrease

- + Recovery of the phthalic anhydride market
- + Increase in sales of naphthoquinone
- + Increase in sales of functional chemicals for electronic materials
- + Increase in sales of circuit products and circuit materials

## Main measures for FY2021

### Early effects of the integration of Group companies

- Establishment of a new company integrating the Electronics Materials Development Division, Kawasaki Kasei Chemicals Ltd., and Daito Chemical Co., Ltd.  
Enhance development, production and logistics systems for the entire chemicals business centered on electronics materials
- Merger of Printec Corporation and Shin-etsu Lead Co., Ltd. (April 1, 2021)  
Expand sales of circuit products and circuit materials and develop new uses for these products and materials

### Improve revenue by optimizing the production system

- Restructure the domestic production system using the facilities of Daito Chemical Co., Ltd.
- Bolster production facilities to expand sales of succinic acid, photosensitizer, and sodium acetate

### Promoting new M&A activities and alliances

- Enhance the electronics materials business and environment-related businesses
- Expand business performance through JVs and collaborations  
ATN Graphite Technology K.K. (joint venture with AWI, Toyo Tanso Co., Ltd., and Nankai Chemical Industry Co., Ltd.), etc.

### TOPICS: Establish a new company to bolster The functional chemicals business centered On the electronics materials sector



In October 2021, a new company will be established integrating Group companies to expand the functional chemicals business. The goal is to enhance the entire chemicals business, which includes the electronics materials sector, the basic chemicals sector, the food chemistry sector, and pharmaceutical and agricultural chemical intermediates, by improving the sales, production, and development systems.

**Acquire increasing demand associated with the recovery of the number of operations and outpatients and demand for vaccine needles while continuing the sales of infection control products**

	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease	YoY
Sales	186.4	<b>194.0</b>	+7.6	104.1%
Operating Profit	10.5	<b>11.6</b>	+1.1	110.4%
Operating Profit margin	5.6%	<b>6.0%</b>	+0.3pt	-

**Main Factors behind the increase/decrease**

- + Continued sales of infection control products
- + Reactionary increase following the previous year's decrease in the number of operations and outpatients
- + Increase in demand for vaccine needles, and rebounding increase in demand for dental and aesthetic needles for overseas markets
- Reactionary decrease following the previous year's increase in special demand for masks and protective clothing to prevent COVID-19 infections

## Main measures for FY2021

### Expanding business addressing life during the COVID-19 pandemic

- Further improvement and expansion of sales of infection control products
- Further improvement and expansion of sales of medical information systems-related products supporting remote medical care and other activities
- Acquire demand for vaccine needles
- Expand business in view of changing medical needs such as the shift to home medical care

### Structural reform and strengthening of existing businesses

- Expand business by concentrating resources into focused businesses in view of the changing environment
- Expand and streamline business by reorganizing Group companies and strengthening cooperation
- Strengthen online business negotiations, and strengthen internet content and marketing
- Improve the operation rates of recently expanded production plants
- Promote rationalization by consolidating warehouses and sales bases

### Creating new businesses

- Develop new businesses based on new needs to address environmental changes

## TOPICS: Expand the injection needle business



In June 2020, a new plant began operating, which increased production capacity to 3 billion units per year, 1.5 times the previous capacity. A low dead space injection needle that can decrease the amount of medicinal solution remaining in the injection syringe was developed and released in April 2021.

The volume of sales of LP gas for hotels and restaurants and for industrial use has recovered, but sales still remain at the previous year's level

	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease	YoY
Sales	53.1	<b>58.0</b>	+4.9	109.3%
Operating Profit	4.6	<b>4.6</b>	+0.0	100.9%
Operating Profit margin	8.6%	<b>7.9%</b>	▲0.7pt	-

**Main Factors behind the increase/decrease**

- + Recovery of sales volume centered on hotels, restaurants, and industrial use
- + Increase in sales of equipment and construction
- + Expansion of sales of LNG-related products
- Decrease in demand for LP gas for household use due to the end of people staying home

**Main measures for FY2021**

**Strengthening LP gas and other existing businesses**

- Integrate six direct sales companies in Hokkaido into one to strengthen retail business
- Promote fuel conversion to LNG/LPG with low environmental burden
- Improve business and operation models by rationalizing distribution and filling and using digital equipment

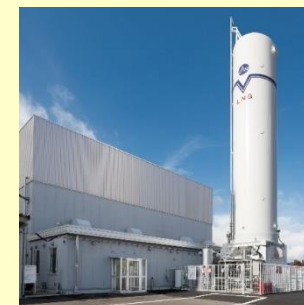
**Strengthening of LNG business**

- Expand sales of V Satellite and other LNG supply equipment
- Commercialization of LNG filling BOX for long-distance trucks
- Development of new forms of energy with lower environmental burdens

**Strengthening the overseas business**

- Expand the LP gas wholesale business in Vietnam

**TOPICS: Contribute to the reduction of CO<sub>2</sub> emissions by introducing V Satellite, a new type of LNG satellite equipment.**



By integrating storage tanks, vaporizers and other equipment, the space necessary is significantly reduced and maintenance is simplified. By converting fuels from petroleum and coal to LNG, CO<sub>2</sub> emissions are reduced.

Continue to capture demand from people refraining from leaving home, mainly by developing new products. By the middle of the fiscal year, commercial demand and demand for beverages will be on a path toward recovery

	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease	YoY
Sales	132.6	144.0	+11.4	108.6%
Operating Profit	4.0	5.0	+1.0	124.1%
Operating Profit margin	3.0%	3.5%	+0.4pt	-

### Main Factors behind the increase/decrease

- + Recovery of demand in the beverage business
- + Expansion of sales of products for home delivery and mail order and recovery of commercial demand from hotels and restaurants in the ham and delicatessen business
- + Expansion of sales and an increase in sales volume of cooked and processed products in the farm products and food processing business
- + Recovery of sales of existing stores and improvement of the opening of new stores in the fruit and vegetable retail business

## Main measures for FY2021

### Strengthening the farm products and food processing business

- Construct a stable procurement base for raw materials (the expansion of production areas and strengthening of cooperation with producers)
- Strengthen distribution and processing capabilities to meet demand from delicatessens
- Strengthen product development and ability to produce frozen foods for household use
- Restructure the Company, and improve the bases

### Strengthening the beverage business

- Increase health-oriented products and increase the adoption of environmentally friendly containers

### Strengthening the fruit and vegetable retail business

- Begin full operation of the e-commerce business, in addition to the proactive opening of new stores

### TOPICS: Capture stay-at-home demand in the sweets business. Collaboration products have enjoyed strong sales



eMitas brand products and low-carbohydrate products have sold well. Collaboration products are also popular, and now a campaign is being conducted to commemorate the fifth anniversary of the collaboration with Kiri cream cheese.

# Logistics Business

Strengthen the food logistics business by establishing a consistent cold chain from warehousing to distribution, processing, and delivery

	FY2020 (Result)	FY2021 (Forecast)	Increase/Decrease	YoY
Sales	53.3	58.0	+4.7	108.8%
Operating Profit	2.8	3.2	+0.4	113.0%
Operating Profit margin	5.3%	5.5%	+0.2pt	-

### Main Factors behind the increase/decrease

- + Recovery of inter-company logistics weakened by the COVID-19 pandemic
- + Volume of shipments in food logistics for supermarkets maintained at the high level of the previous year
- + Operations begun at a new logistics center in the Hokkaido region
- Increase of diesel oil prices

## Main measures for FY2021

### Continuing to strengthen the cold chain

- Expand low-temperature transportation for supermarkets where strong demand is expected to continue
- Increase volume of shipments using warehouses in Sapporo and Tomakomai starting operations in May 2021

### Initiatives to streamline logistics

- Reduce the amount of labor necessary at warehouses by introducing IoT, and deploy centralized vehicle dispatch centers throughout the nation
- Promote the optimization of logistics within the Group

### Developing new business domains

- Strengthen the industrial waste collection business for medical institutions

### TOPICS: Atsugi Low-temperature Logistics Center has begun full operations as a hub for low-temperature logistics in the Tokyo metropolitan area



Against the background of demand from people refraining from leaving home, low-temperature food logistics for supermarkets has been growing. The large warehouse that has been built is fully operating. The enhanced cold chain has been contributing to sales.

## Seawater Business

We have begun operations at a new woody biomass power plant. Both revenue and profit increased due to recovered demand for commercial-use salt, environmental products, and the magnesia business

	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease	YoY
Sales	41.0	<b>45.0</b>	+4.0	109.8%
Operating Profit	3.1	<b>3.3</b>	+0.2	107.1%
Operating Profit margin	7.5%	<b>7.3%</b>	▲0.2pt	-

### Main Factors behind the increase/decrease

- + Ako No.2 Biomass Power Plant began operating in January 2021
- + Recovery of demand for commercial-use salt for restaurants and food processing
- + Recovery of sales of magnesia for electromagnetic steel plates and electromelting magnesia for heaters

## Main measures for FY2021

### Expansion of the electric power business

- The stable operation of Ako No.2 Biomass Power Plant (began operating in January 2021)

### Expansion of the environment

- Expansion of the overseas sales of absorbents and flocculants centered on Taiwan and Southeast Asia

### Expansion of the magnesia business

- Expand sales of magnesia for electromagnetic steel plates
- Promote overseas expansion of sales of electromelting magnesia for heaters

### TOPICS: Nihonkaisui, Ako No.2 Biomass Power Plant has started operations



The power plant began operating on January 2, 2021, and has continued to operate stably. On April 16, the construction of a new woody biomass power plant was started in Kandamachi, Fukuoka. (Photo: Ako No.2 Power Plant)



On the electric power business, the Onahama Biomass Power Plant is operating. The high power uninterrupted power supply systems (UPS) business in the overseas engineering business has recovered to the level of the fiscal year 2019. Each of the other businesses has grown respectively, contributing to improvement of company-wide performance

	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease	YoY
Sales	121.3	<b>148.0</b>	+26.7	122.0%
Operating Profit	4.9	<b>9.4</b>	+4.5	193.7%
Operating Profit margin	4.0%	<b>6.4%</b>	+2.4pt	-

### Main Factors behind the increase/decrease

- + Onahama Biomass Power Plant in the electric power business contributed to the improvement of performance
- + Improvement of environment of the high power UPS business associated with the lifting of movement restrictions
- + Growth of hydrogen-related equipment in the overseas engineering business

## Main measures for FY2021

### Aerosol business

- Address changing demand, taking advantage of our capabilities in the contract manufacturing of products in various industries

### Overseas engineering business

- Industrial gas-related equipment and engineering business in North America is responding to new demand for carbon dioxide-related equipment and hydrogen-related equipment for energy use
- The high power UPS business is also focused on the acquisition of new orders for data centers, where demand is expanding, and sales of packaged systems for the reduction of labor on construction sites

### Electric power business

- Onahama Biomass Power Plant began operating in April 2021

### TOPICS: Cooperation with Plug Power Inc. in the United States increased for the construction of a hydrogen supply chain



Manufacturing and sales of hydrogen tank trailers for U.S. Plug Power Inc. has been expanded. Cooperation for the construction of a hydrogen supply chain in the United States has been enhanced.

(Unit: Billion yen)

		FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease
Operating cash flows	[(1)]	76.6	<b>62.6</b>	▲14.0
Investment cash flows	[(2)]	▲52.7	<b>▲81.9</b>	▲29.2
Financial cash flows	[(3)]	▲20.9	<b>13.7</b>	+34.6
Total cash flows	[(1)+(2)+(3)]	3.0	<b>▲5.6</b>	▲8.6
Cash and cash equivalents at the end of the period		46.0	<b>40.6</b>	▲5.4
Free cash flows [(1)+(2)]		23.9	<b>▲19.3</b>	▲43.2

(Unit: Billion yen)

Segment	FY2020 (Result)	FY2021 (Forecast)	Increase/ Decrease
■ Industrial gas	17.6	<b>19.0</b>	+1.4
■ Chemical	2.6	<b>3.7</b>	+1.1
■ Medical	5.5	<b>3.3</b>	▲2.2
■ Energy	3.1	<b>3.0</b>	▲0.1
■ Agriculture and food products	2.6	<b>8.7</b>	+6.1
■ Logistics	6.7	<b>8.4</b>	+1.7
■ Seawater	8.4	<b>4.2</b>	▲4.2
■ Other	5.4	<b>12.7</b>	+7.3
Total	52.0	<b>63.0</b>	+11.0
Depreciation	39.0	<b>42.0</b>	+3.0

## Major capital investments

- On-site plant for electronics
- VSU plants (Kitakyushu and Kameyama)
- Enhancement of engineering bases
- Additional construction of functional chemicals manufacturing facilities (Kawasaki Kasei Chemicals Ltd.)
- Improvement of the productivity of processed livestock products (Daisen Ham Co., Ltd.)
- Renewal of contract manufacturing lines for beverages (Gold Pak Co., Ltd.)
- Improvement of processing bases for ready-made meals market
- Improvement of trunk line transportation bases in the eastern Japan region
- Expansion of industrial gas engineering bases in North America
- Research and development

## Basic dividend policy

We make it a policy to maintain a stable dividend in line with business results in the future aiming at a dividend payout ratio of **30%**.

(Unit : yen)

	FY2019 (Result)		FY2020 (Result)		FY2021 (Forecast)
Dividend payout ratio	29.8%	➡	<u>36.4%</u>	➡	<b>27.6%</b>
Basic net earnings per share *	147.43	➡	<u>120.98</u>	➡	<b>159.46</b>
Interim dividend	20.00	➡	<b>22.00</b>	➡	<b>22.00</b>
Year-end dividend	24.00	➡	<b>22.00</b>	➡	<b>22.00</b>
Annual dividend	44.00	➡	<b>44.00</b>	➡	<b>44.00</b>

\* Basic net earnings per share for the period are calculated based on the average number of issued shares during the year.

Meeting society's needs with nature's blessings.



***AIR WATER INC.***