

November 5, 2021

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

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 the Three Months Ended September 30, 2021

(1) Consolidated operating results

(% of change from previous year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	419,604	12.1	31,639	61.7	31,176	65.6	22,223	89.0	20,589	92.2	26,252	55.4
Six months ended September 30, 2020	374,423	-2.8	19,561	-11.6	18,825	-13.9	11,758	-18.7	10,710	-12.2	16,896	6.4

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2021	Yen 91.11	Yen 91.01
Six months ended September 30, 2020	47.08	47.02

(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
As of September 30, 2021	Million yen 968,439	Million yen 394,283	Million yen 375,473	% 38.8
As of March 31, 2021	926,821	372,389	357,797	38.6

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
The fiscal year ended March 31, 2021	Yen —	Yen 22.00	Yen —	Yen 22.00	Yen 44.00
The fiscal year ending March 31, 2022	—	27.00			
The fiscal year ending March 31, 2022 (Forecasts)			—	27.00	54.00

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

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2022

(% of change from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
The fiscal year	890,000	10.3	65,000	26.9	64,000	28.9	43,000	57.1	190.20

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2022 from the latest disclosure: Yes

Notes

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
 - a. Changes in accounting policies required by IFRS: None
 - b. Changes in accounting policies other than (a): None
 - c. Changes in accounting estimates: None
- (3) Number of shares outstanding (ordinary shares)
 - a. Total number of shares outstanding (including treasury shares)

As of September 30, 2021:	229,755,057 shares
As of March 31, 2021:	229,755,057 shares
 - b. Number of shares of treasury shares

As of September 30, 2021:	3,589,327 shares
As of March 31, 2021:	3,995,259 shares
 - c. Average number of shares during the term

First Six months of the fiscal year ending March 31, 2022:	225,988,759 shares
First Six months of the fiscal year ended March 31, 2021:	227,514,825 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 Second Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

During the cumulative second quarter of the current consolidated fiscal year under review, the Japanese economy maintained steady production activities in the domestic manufacturing industry centered around the semiconductor and materials industries, and appeared to trend toward recovery on the back of the normalization of economic activity in Europe, the United States, and China. Meanwhile, the outlook for the future remained uncertain due to continuously low consumer spending and the stagnation of the recovery of business confidence due to the continuing the novel coronavirus (hereinafter "COVID-19") pandemic.

In these economic conditions, the Company and its consolidated subsidiaries (hereinafter the "Group") focused on entering markets which have been growing in response to the COVID-19 pandemic. In the industrial gas business, we expanded into peripheral areas such as gas, special chemicals, and gas purification equipment used for semiconductor manufacturing processes and equipment for semiconductor manufacturing equipment, while in the chemical business, we responded to robust electronics-related demand mainly by supplying electronic components and highly functional chemicals. The medical business captured demand associated with the recovery of the business environment, fulfilled its corporate social responsibilities and missions during the continuing COVID-19 pandemic by increasing its production of medical-use oxygen concentrators and supplying injection needles for vaccination, and also met society's needs during the COVID-19 pandemic by supplying medical-use oxygen in India. At the same time, we promptly addressed changes in the social environment including new lifestyles, which contributed to the continuing growth and improved performance of the energy, agriculture and food products, logistics, and sea water businesses.

In addition, the ongoing structural reforms the Group has undertaken in each business sector, which include the restructuring of Group companies including regional business companies, overseas development in the industrial gas business focusing on India and North America, and the optimization of production systems in the medical, chemicals, and agriculture and food products businesses, improved resilience of the revenue base. Additionally, the promotion of digital transformation (DX) improved the efficiency of operations management and work-style reforms increased productivity, resulting in a steady increase in profitability.

Moreover, with the aim of creating a carbon neutral society, the Group carried out an array of business activities to contribute to the resolution of diverse social issues and the achievement of the Sustainable Development Goals (SDGs) by focusing on two core fields, the global environment and wellness, to widely contribute to people's health and welfare.

As a result, for the current second quarter consolidated cumulative period, the group's revenue was ¥419,604 million (112.1% that of the corresponding period of the previous year), operating profit was ¥31,639 million (161.7%), and profit attributable to owners of parent was ¥20,589 million (192.2%).

2) Consolidated results by segment for this period

	(Million yen)			
	Revenue		Operating profit	
	FY 2021.2Q	YoY Growth	FY 2021.2Q	YoY Growth
Industrial Gas Business	92,439	108.1%	10,477	130.8%
Chemical Business	19,150	130.3%	1,736	301.1%
Medical Business	92,225	107.7%	4,391	143.5%
Energy Business	23,690	113.9%	1,101	102.1%
Agriculture and Food Products Business	70,208	105.2%	3,104	176.7%
Logistics Business	27,934	106.2%	1,547	111.3%
Seawater Business	20,529	116.4%	1,683	208.6%
Other Businesses	73,426	128.6%	4,971	278.7%
(Adjustment)	-	- %	2,626	239.6%
Total	419,604	112.1%	31,639	161.7%

(Note) The adjustment to operating profit is due to costs incurred at the Company's headquarters division which was not allocated to any reporting segment.

<Industrial gas business>

This segment has been expanding its businesses in the electronics market where further growth is expected, as well as in overseas markets with significant potential such as India, while instituting a reform of its business portfolio.

Japanese semiconductor manufacturers are increasing production, and the Group is investing an unprecedented amount of capital to meet demand for gas, and expand gas purification equipment, thermal control equipment for semiconductor manufacturing equipment and other peripheral businesses with the aim of establishing itself in a position where the company is comparable to the global gas giants in the electronics market.

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

In Japan, we are developing infrastructure networks for the production, storage, and distribution of industrial gases that include VSUs, high-efficiency liquefied oxygen/nitrogen generators, while we are increasing our sales capacity and maximizing the effect of combining regional companies in the restructuring our revenue base.

Revenue in this segment was ¥92,439 million (108.1% that of the corresponding period of the previous year), and operating profit was ¥10,477 million (130.8%).

The overall business performed strongly and exceeded the pre-COVID-19 levels due to the recovery trend generally observed in production activities in the domestic manufacturing industry, in addition to the strong results of the gas supply services for electronics applications, the sale of special chemicals and equipment, and the industrial gas business in India.

In the **gas business**, our gas supply services for electronics applications remained firm thanks to the ongoing capital expenditures and high-level operation of domestic semiconductor manufacturers, our major customers, on the back of growth in demand for semiconductors. In our on-site gas supply services for steel manufacturers, the sales volume of gas increased due to the recovery of crude steel production. In our tanker truck and cylinder gas supply services, the services for electronic components, chemicals, machinery, and other products performed steadily, securing sales at pre-pandemic levels. Carbon dioxide sold well due to an increase in demand for dry ice for home delivery.

The **overseas business** remained strong as our on-site gas supply services for steel manufacturers maintained a high operating rate given increased crude steel production in the mainstay Indian business. In the off-site sales of our tanker truck and cylinder gas supply services, we prioritized our response to the serious shortage of medical-use oxygen during the rapid resurgence of COVID-19 infections.

The **equipment and construction-related business** focused on meeting demand related to semiconductor manufacturers' investment in the growth of their production, resulting in an increase of sales related construction, special chemical equipment, gas purification equipment, machinery for semiconductor manufacturing equipment, and other products.

<Chemical business>

This segment is implementing a structural reform to shift to the functional chemicals business focusing on electronics materials, and the results began to appear in the aspects of development, production, and sales. On October 1, 2021, as an important step in the structural reform, our Electronic Material Development Division, Kawasaki Kasei Chemicals Ltd., and Daito Chemical Co., Ltd. were combined, establishing Air Water Performance Chemicals Inc.

We will pursue synergy across the Air Water Group enabled through the cooperation of this company, Printec Corporation's circuit product/circuit material/semiconductor substrate businesses, FILWEL Co., Ltd.'s precision polishing pad business, the Company's SIC Division's SiC and GaN substrate business, and other strategies, to leverage our diverse technical resources which are essential in semiconductor/electronic equipment manufacturing processes and our customer base. We aim to continue to grow by providing solutions for a smart, recycling-oriented society.

Revenue of this segment was ¥19,150 million (130.3% that of the corresponding period of the previous year), and operating profit was ¥1,736 million (301.1%).

The comprehensive business results were strong with revenue improving significantly thanks to growth in the sales of electronic materials, a recovery in demand for basic chemicals, and improved market conditions.

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

Sales at **Kawasaki Kasei Chemicals Ltd.** remained strong thanks to the improvement of the domestic organic acid market and the recovery of demand for its mainstay, naphthoquinone, used for agrochemicals.

<Medical business>

This segment is leveraging its comprehensive capabilities to create a new form of medical services, including its diverse business sectors ranging from advanced medical care primarily handling medical gas and medical equipment, to everyday

medical care such as dental and hygiene materials. To respond to peoples needs during the COVID-19 pandemic, we are further increasing production of our prevention products, supplying oxygen concentrators, and installing oxygen supply equipment for oxygen stations to support the measures to end the COVID-19 pandemic. Meanwhile, our goal is to continue to improve revenue based on the integration and reorganization of the Air Water Group companies and the enhancement of cooperation with regional companies.

Revenue of this segment was ¥92,225 million (107.7% that of the corresponding period of the previous year), and operating profit was ¥4,391 million (143.5%).

In the overall business results, due to trend towards a recovery in the environment surrounding our hospital business and steady demand for infection control products, revenue improved substantially compared to the same period in the previous year when nearly all business segments had been seriously affected by the COVID-19 pandemic.

The result in the **facility business** was strong thanks to repair work and inspection and maintenance of hospital facilities such as operating rooms, which had been suspended because of the impact of COVID-19. Revenue in the **medical service business** continued to rise thanks to increased efficiency in material procurement, despite the impact of a decline in the number of outpatients and the number of operations remaining in SPD (supply, processing, and distribution management for hospitals). Results in the **medical gas business** remained strong thanks to a trend toward recovery beginning in the second half of the previous year and increased demand for oxygen for COVID-19 patients. In the **medical equipment business**, the number of patients undergoing nitric oxide respiratory therapy increased, while in the **home medical care business**, rental oxygen concentrators increased due to an increase in patients suffering from COVID-19, and thus both businesses showed firm performance. The **hygiene products business** remained strong despite a reactionary fall from temporary large demand for masks, hand sanitizers, and other infection control products by capturing demand for these products that have taken root in our lives. In **other businesses**, mail order sales of infection control products increased, particularly to dentists, at our equity method affiliate Ci Medical Co., Ltd. Demand in the injection needle business remained strong due to recovered overseas sales and an increase in sales of syringe needles used for vaccination.

<Energy business>

This segment posted a steady increase in revenue through the strengthening of direct sales of LP gas and the expansion of sales through the acquisition of new customers by improving customer services and obtaining the commercial rights of retailers. Moreover, initiatives have begun to develop LNG-related equipment and new biogas energy systems that are able to contribute to carbon neutrality and to construct the foundations for an LP gas business in the Vietnamese market, which we entered in 2019.

Revenue of this segment was ¥23,690 million (113.9% that of the corresponding period of the previous year), and operating profit was ¥1,101 million (102.1%).

Results of the overall business were strong because sales volume of LP gas increased by capturing the recovered industrial demand and because unit selling price increased as well.

In the **LP gas business**, the unit selling price increased in connection with the CP price used as an indicator of import prices, while the unit selling price of kerosene also rose in response to an increase in oil prices, resulting in revenue growth. Sales volume for household use was lower than that in the previous year as the stay-at-home demand gradually decreased, and another factor was temperatures comparatively higher than typical. On the other hand, the business captured demand for commercial and industrial uses which showed signs of recovery, and as a whole, sales volume increased year on year. Improvements in operation process such as the streamlining of LP gas delivery using IoT also contributed to revenue growth.

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

<Agriculture and food products business>

In response to the significant change in demand for food caused by the pandemic, this segment revamped its development and sales structure centered on commercial-use products, and has now focused on development of frozen food and ready-to-eat products for consumers, merchandise for home delivery and similar products, and also on the cultivation of new sales channels including e-commerce. On October 1 this year, the Group companies were restructured, including the integration of development/sales functions into the newly established Air Water Agri & Foods Co., Ltd. We are also shifting our business structure to the new food distribution and processing business that combines our food processing technology and distribution functions.

Revenue of this segment was ¥70,208 million (105.2% that of the corresponding period of the previous year), and

operating profit was ¥3,104 million (176.7%).

The overall result of the business was a significant increase in revenue, achieved through a recovery in sales of beverages and confectionery and increased efficiency of production and distribution.

The **farm products and food processing business** performed steadily, compensating for the impact of the delayed recovery of demand for commercial-use products by developing merchandise for takeout and home delivery to meet the demand from people refraining from leaving home and fully cooked new products for consumers adopted by major mass retailers. In the confectionery sector, product sales to its main customers, mass retailers and convenience stores, expanded, and revenue recovered significantly in terms of production and distribution.

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

In **other businesses**, despite the impact of a decrease in customers due to shortened business hours, sales revenue recovered partly due to increased sales from newly opened stores in the fruit and vegetable retail sector, while the agricultural equipment sector also performed steadily on the back of solid demand.

<Logistics business>

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

Revenue of this segment was ¥27,934 million (106.2% that of the corresponding period of the previous year), and operating profit was ¥1,547 million (111.3%).

The overall results of the business remained strong thanks to an increase in freight volume based on the expansion of the home delivery market and the resumption of corporate activities, and the continued large volumes of shipments in food distribution.

In the **transport business**, we have received large online sales contracts through promotion activities using the features of the logistics centers constructed in the northern Kanto region and in Hokkaido and increased freight volume through trunk line transportation due in part to the steady performance of chassis transportation on ferry routes mainly for manufacturing materials and construction materials. An increase in the productivity of Air Water's logistics bases and medical waste transportation also contributed to the results, and the business remained strong.

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

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

<Seawater business>

Starting from its main products such as commercial-use salts and magnesia for electromagnetic steel plates, in which we have the largest shares of the market, this segment has steadily enhanced its earning power through the development of diverse businesses derived from seawater involving the environment, electricity, foods, and urban infrastructure (water treatment and sewage pipe rehabilitation). In addition, aiming for continued growth, we are working to expand the environment business and the carbon-neutral woody biomass power generation business, demand for which has been increasing, particularly in Asia.

Revenue of this segment was ¥20,529 million (116.4% that of the corresponding period of the previous year), and operating profit was ¥1,683 million (208.6%).

There was progress in the overall results of the business in terms of revenue improvement due to recovered demand in the magnesia business mainly for heaters, and the steady operations of the new woody biomass power generation plant also significantly contributed to the results.

The **salt business** performed steadily thanks to an increase in sales of salt for household use. Sales of magnesium hydroxide, particularly for steelworks, recovered in the **environment business**. The **electric power business** remained

strong thanks to the continuously stable operation of the Ako No. 2 Biomass Power Plant, which commenced operation in January 2021. The results of **urban infrastructure business** decreased year on year, affected by the delayed start of water treatment facility construction.

The results in the **magnesia business** included a recovery in sales of fused magnesia used for heaters primarily for home appliances and an increase in sales of ceramic products and flame retardant for semiconductor encapsulants associated with an increase in demand for semiconductors. The business overall remained strong due also to the improvement of revenue achieved through the rationalization of production costs.

<Other businesses>

Revenue of this segment was ¥73,426 million (128.6% that of the corresponding period of the previous year), and operating profit was ¥4,971 million (278.7%).

The **aerosol business** remained strong due to the recovery in the demand for industrial and automotive supplies, and the continued high level of the outsourced production of insecticides and paints for models meeting demand from people refraining from leaving home, which more than offset a fall in the contract production of alcohol-based sanitizing agents, which experienced special demand in the same period of the previous year.

The **information and electronic materials business** performed strongly due to customers proactively increasing their product inventory against the backdrop of supply chain problems for semiconductor-related products, in addition to the recovery of automobile-related industries in China and Japan.

The industrial gas equipment sector in the **overseas engineering business** remained steady thanks to an increase in orders for carbon dioxide-related equipment and low-temperature containers as well as demand for equipment backed by decarbonization, such as liquefied hydrogen tanks. The high power uninterrupted power supply systems (UPS) sector was affected by a delay in construction due to the prolonged impact of restrictions on economic activities and travel to prevent COVID-19 infections in Southeast Asia, despite a recovery in projects in the U.S. and Europe associated with the normalization of economic activity.

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

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

(2) Explanation of financial position for the current period

Total assets at the end of the current second quarter consolidated fiscal year under review stood at ¥968,439 million, an increase of ¥41,618 million compared to the end of the previous consolidated fiscal year due primarily to increases in property, plant and equipment. Liabilities stood at ¥574,155 million, an increase of ¥19,724 million compared to the end of the previous consolidated fiscal year due mainly to increases in bonds and borrowings. Equity stood at ¥394,283 million, an increase of ¥21,894 million compared to the end of the previous consolidated fiscal year, due mainly to an increase in accumulation of quarterly profit attributable to owners of parent.

Equity attributable to owners of parent per share grew from ¥1,584.86 at the end of the previous consolidated fiscal year to ¥1,660.17, and ratio of equity attributable to owners of parent to total assets was 38.8%, compared with 38.6% at the end of the previous consolidated fiscal year.

Cash flows from operating activities for the current second quarter consolidated cumulative period was an inflow of ¥37,403 million after deducting payments including corporate income taxes from profit before tax and allowances for depreciation, which was a decrease of ¥1,405 million compared to that in the previous second quarter consolidated cumulative period.

Cash flows from investing activities for the current second quarter consolidated cumulative period was an outflow of ¥22,212 million, an decrease in expenditures of ¥10,275 million compared to the previous second quarter consolidated cumulative period, due mainly to a decrease in expenditures resulting from purchase of property, plant and equipment and an increase in proceeds resulting from sale of investment securities, despite an increase in expenditures resulting from payments for investment securities.

Cash flows from financial activities for the current second quarter consolidated cumulative period was an inflow of ¥4,330 million, which was an increase in expenditures of ¥17,090 million compared to that in the previous second quarter consolidated cumulative period, due mainly to an increase in proceeds from the issuance of bonds and a decrease in expenditures resulting from repayments of borrowings, despite a decrease in proceeds from borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the current second quarter consolidated cumulative period stood at ¥66,917 million, an increase of ¥30,433 million compared to the end of the previous second quarter consolidated cumulative period.

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

In the first six months of the fiscal year ending March 31, 2022, sales increased for semiconductor-related equipment and materials in the Industrial Gas Business, and improvements in profitability progressed at a pace surpassing the original forecast, primarily reflecting an upturn in the product market conditions in the Chemical Business and improvements in productivity in the Agriculture & Food Products Business. The favorable results for the first half of the fiscal year were also supported by the posting of other income resulting from the unwinding of a joint venture in India.

In light of these circumstances, the Company decided to make an upward revision to its consolidated business results forecast for the fiscal year ending March 31, 2022.

Changes and differences from the full-year consolidated results forecast announced in our “First Quarter Consolidated Financial Results ending March 31, 2022” dated August 5, 2021 are as follows:

(The fiscal year)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Original forecast (A) (announced on August 5, 2021)	Million yen 890,000	Million yen 63,000	Million yen 62,000	Million yen 41,000	Yen 181.41
Revised forecast (B)	890,000	65,000	64,000	43,000	190.20
Amount of change (B-A)	—	2,000	2,000	2,000	
Percentage change (%)	—	3.2	3.2	4.9	
[Reference] Results for the fiscal year ended March 31, 2021	806,630	51,231	49,651	27,367	120.98