



## **NEWS RELEASE**

December 19, 2019

AIR WATER INC.

(Securities Code 4088)

Listed on the First Section of TSE and SSE

### **Air Water Launches a Joint Venture for LP Gas Business with Pacific Petro Commercial Joint Stock Company in Vietnam**

#### **Making the first overseas expansion of energy business into Vietnam**

We are pleased to announce that Air Water Inc. (Head office: Chuo-ku, Osaka, Chairman of the Board & CEO: Kikuo Toyoda, hereinafter referred to as “AWT”) and a leading LP gas operator in Vietnam, Pacific Petro Commercial Joint Stock Company (hereinafter referred to as “PP”) have agreed to jointly run the LP gas business (hereinafter referred to as the “Business”) focusing on Ho Chi Minh City as a main business area. AWI will officially launch the Business by acquiring 51% of the issued shares of Pacific Petroleum Import and Export Trading Joint Stock Company, which was established for the purpose of joint operation of the Business by taking over the Business from PP, to turn it into a joint venture on December 27, 2019.

#### 1. Background and purpose

As an energy and infrastructure company that continues to work with communities, AWI has been supplying LP gas for more than half a century since the beginning of the domestic LP gas market in the 1950s. Currently, we have a high market share mainly in the Hokkaido and Tohoku areas. We also actively work on new energy solutions, such as LNG (liquefied natural gas) transport and storage tanks and LP gas-powered mobile power supply vehicles.

While the LP gas demand in Japan is expected to see a gradual decrease in the future due to factors, such as population decline and lifestyle changes, the demand for LP gas is strong in Southeast Asia, which is expected to show steady growth driven by further population and economic growth. Particularly Vietnam, which has been successfully attracting many Japanese companies and providing political stability, is expected to enjoy continued high economic growth as the population and investments in social infrastructure and manufacturing increases. Amid the ongoing trend of privatization of state-owned enterprises, the LP gas market in Vietnam has been a very attractive market showing an annual growth rate of 8 – 9% mainly due to its cost advantage over electricity. To that end, AWI has been considering the Vietnamese market as the most promising market for the overseas expansion of the LP gas business.

Meanwhile, PP has a high market share in Ho Chi Minh City, the most populated city in Vietnam, however, the majority of its business came from wholesale of LP gas for general households. To further expand its business, PP was looking for a business partner with expertise in supply technologies for industrial applications and apartment buildings as well as consumer sales and services to effectively differentiate it from other companies.

Under these circumstances, we came to the conclusion that forming a joint venture will allow us to combine the strengths of the two companies, namely, PP’s largest business base as a private LP gas operator in Vietnam and AWI’s strong track record of supplying LP gas throughout Japan and technologies with the highest safety and quality standards, which would be the best way to maximize mutual management resources.

Utilizing this as a foothold, we will endeavor to build a foundation for the LP gas business in Vietnam, which continues to show remarkable growth, and establish a business model that will also lead to expansion into other Southeast Asian countries in the future.

## 2. Spreading the safe use of LP gas

In Vietnam, it is common for general consumers to purchase LP gas directly from LP gas dealers, take them back to their homes and use them by installing indoor LP gas cylinders. Generally, these LP gas cylinders are not equipped with safety functions, such as a gas meter and alarm. There is also a lack of safety awareness among consumers and rules to prevent accidents, causing many accidents to occur today that arise from the ways LP gas is handled and used.

In expanding our business in Vietnam, we believe that spreading the Japanese-style safety concept and handling in a locally appropriate way can contribute to reducing the number of accidents and increasing demand.

## 3. Overview of the Business

- (1) Business contents: Wholesale of LP gas
- (2) Business area: Ho Chi Minh City and surrounding areas
- (3) Sales size: Annual sales of approximately 779.4 billion VND (approximately 3.66 billion yen)

## 4. Overview of Pacific Petro Commercial Joint Stock Company

- (1) Company name: Pacific Petro Commercial Joint Stock Company
- (2) Location: Ho Chi Minh City, Socialist Republic of Vietnam
- (3) Founded: 1998 (unlisted)
- (4) Representative: President, NgyuenThanhTung
- (5) Capital: 117 billion VND (approximately 550 million yen)
- (6) Business contents: Wholesale of LP gas, container manufacturing, real estate and restaurant businesses
- (7) Number of employees: 121 (as of December 31, 2018)
- (8) Sales: 795.6 billion VND (approximately 3.74 billion yen) (fiscal year ended December 31, 2018) \*Including sales of the Business

## 5. Overview of Pacific Petroleum Import and Export Trading Joint Stock Company (after AWI's investment)

- (1) Company name: Pacific Petroleum Import and Export Trading Joint Stock Company
- (2) Location: Ho Chi Minh City, Socialist Republic of Vietnam
- (3) Founded: May 2019
- (4) Representative: President, Ngyuen Thanh Tung
- (5) Capital: 200.5 billion VND (approximately 950 million yen)
- (6) Investment ratio: AWI 51% and PP 49%
- (7) Business contents: Wholesale of LP gas and container manufacturing business
- (8) Number of employees: 100 (as of December 1, 2019)

—[For inquiries on this subject, contact:]—

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