

August 3, 2023

Summary of Consolidated Financial Results (Under IFRS)
For the First Quarter of the March 31, 2024 Fiscal Year

AIR WATER INC.
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Chuo-ku, Osaka, Japan

(Note: All amounts are rounded down to the nearest million yen.)

1. Results for the three months ended June 30, 2023

(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, 2023	230,039	2.4	11,263	-13.3	11,501	-9.3	7,362	-13.0	7,141	-11.7	21,563	28.8
Three months ended June 30, 2022	224,720	8.9	12,984	-19.4	12,683	-21.3	8,457	-26.6	8,089	-24.1	16,741	32.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	31.39	31.36
Three months ended June 30, 2022	35.69	35.66

(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, 2023	1,091,366	460,846	444,111	40.7
As of March 31, 2023	1,091,645	446,482	430,232	39.4

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, 2023	—	28.00	—	32.00	60.00
The fiscal year ending March 31, 2024	—				
The fiscal year ending March 31, 2024 (Forecasts)		30.00	—	30.00	60.00

(Note) Changes in forecast of dividends for the fiscal year ending March 31, 2024, from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2024

(% 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)	500,000	7.8	32,000	23.4	31,000	22.4	20,000	22.4	87.90
The fiscal year	1,080,000	7.5	72,000	15.8	70,000	14.8	44,000	9.6	193.34

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2024, from the latest disclosure: No

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, 2023:	229,755,057 shares
As of March 31, 2023:	229,755,057 shares
 - b. Number of shares of treasury shares

As of June 30, 2023:	2,145,087 shares
As of March 31, 2023:	2,402,613 shares
 - c. Average number of shares during the term

First Three months of the fiscal year ending March 31, 2024:	227,478,311 shares
First Three months of the fiscal year ended March 31, 2023:	226,634,168 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.

1. Qualitative Information relating to First Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

During the first quarter of the current consolidated fiscal year, the Japanese economy recovered moderately due to the upward trend in corporate capital investment, in addition to the recovery of consumer spending reflecting the normalization of social and economic activity that has been impacted by the COVID-19 pandemic. However, the future remained uncertain mainly due to the decline in global demand for semiconductors and the increasing risk of the slowdown of overseas economies.

In this business environment, the Group achieved revenue of ¥1 trillion in the year ended March 31, 2022. To achieve the “terrAWell 30” long-term vision towards 2030, in line with its two foundations for growth, the “global environment” and “wellness,” the Group produced synergy through the integration of its management resources, specifically its diverse businesses, human resources and technologies, and overall optimization, and accelerated initiatives to create new businesses that contribute to solving social issues.

Above all, in overseas and electronics-related businesses, which are positioned as growth areas, the Group pushed forward with M&A activities and the enhancement of manufacturing and supply infrastructure to expand the industrial gas business in North America and India. At the same time, the Group continued its aggressive capital investment in gas supply plants in response to the construction and expansion of semiconductor manufacturing plants, which is under way across Japan. Further, the Group established the new Global & Engineering Group, which oversees engineering functions as a technological domain essential for supplying industrial gases and promotes and manages overseas expansion, including the establishment of governance and risk management, in a centralized manner. The Group also began to enhance its core factory, which produces gas supply plants, and implemented other initiatives to further reinforce its engineering framework as the core of the industrial gas business.

In addition, the Group reformed its business structure with a focus on the integration and reorganization of group companies in business sectors including electronics and agricultural processing in Hokkaido to push its growth strategy forward in response to changes in the business environment. Thus, initiatives were implemented to create synergy within the Group and improve profitability through the optimal allocation of management resources.

Further, to create new businesses through innovation as quickly as possible, the Group established the new Gas Technology Development Center, which is specialized in the development of new ways of using gases, and set up a Development Center in each business sector. Thus, the Group aggressively promoted the development of new business models that help solve social issues, such as electronic and functional materials, decarbonization solutions, dental pulp regeneration therapy and onshore aquaculture.

During the first quarter of the current consolidated fiscal year, steady progress was made in measures to respond to the rising costs, including price revisions that were implemented in the previous fiscal year for various products including industrial gases and salt for business use. In Japan, there was a recovery in the foods and beverages field, reflecting the resumption of people's movements. Overseas, demand for gas remained brisk in India. Further, the woody biomass power generation business, whose overall performance was affected by the surge in marine transportation costs in the previous fiscal year, remained on a recovery trend due to the improvement of the cost environment.

However, there were changes in the external environment, including the slump of the semiconductor market and the slowdown of demand related to COVID-19, and the impact of the shortage of raw materials for carbon dioxide gas was added to this.

As a result, for the current first quarter consolidated cumulative period, the group's revenue was ¥230,039million (102.4% that of the corresponding period of the previous year), operating profit was ¥11,263million (86.7%), and profit attributable to owners of parent was ¥7,141million (88.3%).

2) Consolidated results by segment for this period

Effective from the first quarter of the current fiscal year, the domestic engineering business and overseas engineering (Indian industrial gas, etc.) business, which were previously classified under "Digital & Industry," moved to "Other Businesses," and the carbon dioxide and hydrogen business, which was previously classified under "Energy Solutions," has been moved to "Digital & Industry."

Segment information for the first quarter of the previous fiscal year is disclosed based on the reporting segment classification after the change.

	(Million yen)			
	Revenue		Operating profit	
	FY 2023.1Q	YoY Growth	FY2023.1Q	YoY Growth
Digital & Industry	81,316	108.2%	5,333	92.8%
Energy Solutions	13,821	92.5%	665	71.6%
Health & Safety	52,120	97.1%	2,401	86.8%
Agriculture & Foods	38,297	103.3%	1,354	100.9%
Other Business	44,483	101.3%	783	57.6%
(Adjustment)	-	-	725	86.5%
Total	230,039	102.4%	11,263	86.7%

(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.

2. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit : Million yen)

	End of the previous fiscal year (As of March 31, 2023)	End of the first quarter of fiscal year (As of June 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	65,944	52,785
Trade and other receivables	229,276	204,094
Inventories	92,014	101,545
Other financial assets	6,151	6,450
Income taxes receivable	4,307	6,387
Other current assets	33,444	32,117
Total current assets	431,139	403,381
Non-current assets		
Property, plant and equipment	443,443	449,596
Goodwill	65,130	68,227
Intangible assets	32,568	33,314
Investments accounted for using equity method	32,630	33,170
Retirement benefit asset	3,836	3,931
Other financial assets	78,182	95,041
Deferred tax assets	2,184	2,231
Other non-current assets	2,528	2,471
Total non-current assets	660,505	687,984
Total assets	1,091,645	1,091,366

	End of the previous fiscal year (As of March 31, 2023)	End of the first quarter of fiscal year (As of June 30, 2023)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	166,601	150,811
Bonds and borrowings	83,340	86,195
Other financial liabilities	5,035	13,323
Income taxes payable	10,127	4,641
Provisions	901	896
Other current liabilities	33,691	35,890
Total current liabilities	299,697	291,758
Non-current liabilities		
Bonds and borrowings	283,385	282,531
Other financial liabilities	30,192	21,691
Retirement benefit liability	6,365	6,504
Provisions	3,157	2,953
Deferred tax liabilities	14,601	17,911
Other non-current liabilities	7,762	7,169
Total non-current liabilities	345,465	338,761
Total liabilities	645,162	630,519
Equity		
Share capital	55,855	55,855
Capital surplus	49,962	49,784
Treasury shares	(3,532)	(3,135)
Retained earnings	303,680	303,564
Other components of equity	24,266	38,041
Total equity attributable to owners of parent	430,232	444,111
Non-controlling interests	16,249	16,735
Total equity	446,482	460,846
Total liabilities and equity	1,091,645	1,091,366

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income

Condensed quarterly consolidated statement of profit or loss
Cumulative first quarter of the consolidated fiscal year

(Unit : Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Continuing operations		
Revenue	224,720	230,039
Cost of sales	(177,116)	(182,188)
Gross profit	47,604	47,851
Selling, general and administrative expenses	(35,890)	(37,722)
Other income	1,594	1,326
Other expenses	(958)	(723)
Share of profit of investments accounted for using equity method	636	532
Operating profit	12,984	11,263
Finance income	535	1,018
Finance costs	(836)	(779)
Profit before tax	12,683	11,501
Income tax expense	(4,223)	(4,137)
Profit from continuing operations	8,459	7,364
Discontinued operations		
Profit (loss) from discontinued operations	(1)	(2)
Profit	8,457	7,362
Profit attributable to		
Owners of parent	8,089	7,141
Non-controlling interests	368	220
Profit	8,457	7,362

(Unit : Yen)

Earnings per share		
Basic earnings (loss) per share		
Continuing operations	35.70	31.40
Discontinued operations	(0.01)	(0.01)
Basic earnings per share	35.69	31.39
Diluted earnings (loss) per share		
Continuing operations	35.66	31.37
Discontinued operations	(0.01)	(0.01)
Diluted earnings per share	35.66	31.36

Condensed quarterly consolidated statement of comprehensive income
 Cumulative first quarter of the consolidated fiscal year

(Unit : Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	8,457	7,362
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	(603)	4,174
Share of other comprehensive income of investments accounted for using equity method	(4)	10
Total of items that will not be reclassified to profit or loss	(608)	4,185
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	6,031	7,361
Effective portion of gains and losses on hedging instruments in a cash flow hedge	2,786	2,602
Share of other comprehensive income of investments accounted for using equity method	73	53
Total of items that may be reclassified to profit or loss	8,891	10,016
Total other comprehensive income	8,283	14,201
Comprehensive income	16,741	21,563
Comprehensive income attributable to		
Owners of parent	14,986	21,273
Non-controlling interests	1,754	290
Comprehensive income	16,741	21,563

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
 Three months ended June 30, 2022

(Unit : Million yen)

	Equity attributable to owners of parent					
	Capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2022	55,855	52,638	(4,838)	275,158	—	4,614
Profit	—	—	—	8,089	—	—
Other comprehensive income	—	—	—	—	—	6,017
Comprehensive income	—	—	—	8,089	—	6,017
Purchase of treasury shares	—	—	(0)	—	—	—
Disposal of treasury shares	—	0	388	—	—	—
Dividends	—	—	—	(6,637)	—	—
Increase (decrease) due to changes in equity	—	(446)	—	—	—	—
Increase (decrease) due to new consolidation	—	—	—	575	—	176
Transfer from other components of equity to retained earnings	—	—	—	(0)	—	—
Put option provided to non-controlling shareholders	—	(118)	—	—	—	—
Transfer to non-financial assets	—	—	—	—	—	—
Total transactions with owners	—	(564)	387	(6,062)	—	176
Balance as of June 30, 2022	55,855	52,073	(4,451)	277,185	—	10,809

(Unit : Million yen)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total		
	Net change in fair value of financial assets measured through other comprehensive income	Effective portion of gains and losses on hedging instruments in a cash flow hedge	Share acquisition rights	Total			
Balance as of April 1, 2022	7,416	3,995	291	16,317	395,131	24,725	419,857
Profit	—	—	—	—	8,089	368	8,457
Other comprehensive income	(583)	1,463	—	6,897	6,897	1,386	8,283
Comprehensive income	(583)	1,463	—	6,897	14,986	1,754	16,741
Purchase of treasury shares	—	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	—	—	—	388	—	388
Dividends	—	—	—	—	(6,637)	(412)	(7,050)
Increase (decrease) due to changes in equity	—	—	—	—	(446)	(104)	(551)
Increase (decrease) due to new consolidation	—	—	—	176	752	—	752
Transfer from other components of equity to retained earnings	0	—	—	0	—	—	—
Put option provided to non-controlling shareholders	—	—	—	—	(118)	—	(118)
Transfer to non-financial assets	—	(182)	—	(182)	(182)	(175)	(357)
Total transactions with owners	0	(182)	—	(4)	(6,244)	(692)	(6,937)
Balance as of June 30, 2022	6,833	5,276	291	23,210	403,873	25,787	429,660

Three months ended June 30, 2023

(Unit : Million yen)

	Equity attributable to owners of parent					
	Capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of April 1, 2023	55,855	49,962	(3,532)	303,680	—	11,427
Profit	—	—	—	7,141	—	—
Other comprehensive income	—	—	—	—	—	7,385
Comprehensive income	—	—	—	7,141	—	7,385
Purchase of treasury shares	—	—	(0)	—	—	—
Disposal of treasury shares	—	—	397	—	—	—
Dividends	—	—	—	(7,326)	—	—
Increase (decrease) due to changes in equity	—	—	—	—	—	—
Increase (decrease) due to new consolidation	—	—	—	(30)	—	—
Transfer from other components of equity to retained earnings	—	—	—	99	—	—
Put option provided to non-controlling shareholders	—	(177)	—	—	—	—
Transfer to non-financial assets	—	—	—	—	—	—
Total transactions with owners	—	(177)	396	(7,256)	—	—
Balance as of June 30, 2023	55,855	49,784	(3,135)	303,564	—	18,812

(Unit : Million yen)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total		
	Net change in fair value of financial assets measured through other comprehensive income	Effective portion of gains and losses on hedging instruments in a cash flow hedge	Share acquisition rights	Total			
Balance as of April 1, 2023	10,708	1,846	284	24,266	430,232	16,249	446,482
Profit	—	—	—	—	7,141	220	7,362
Other comprehensive income	4,165	2,581	—	14,132	14,132	69	14,201
Comprehensive income	4,165	2,581	—	14,132	21,273	290	21,563
Purchase of treasury shares	—	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	—	—	—	397	—	397
Dividends	—	—	—	—	(7,326)	(279)	(7,605)
Increase (decrease) due to changes in equity	—	—	—	—	—	—	—
Increase (decrease) due to new consolidation	—	—	—	—	(30)	474	443
Transfer from other components of equity to retained earnings	(99)	—	—	(99)	—	—	—
Put option provided to non-controlling shareholders	—	—	—	—	(177)	—	(177)
Transfer to non-financial assets	—	(256)	—	(256)	(256)	—	(256)
Total transactions with owners	(99)	(256)	—	(356)	(7,394)	194	(7,199)
Balance as of June 30, 2023	14,773	4,170	284	38,041	444,111	16,735	460,846

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Unit : Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit before tax	12,683	11,501
Profit (loss) before tax from discontinued operations	(1)	(2)
Depreciation and amortization	11,016	11,110
Interest and dividend income	(495)	(809)
Interest expenses	497	719
Share of loss (profit) of investments accounted for using equity method	(636)	(532)
Loss (gain) on sale and retirement of fixed assets	283	50
Decrease (increase) in trade and other receivables	7,322	26,559
Decrease (increase) in inventories	(8,943)	(8,433)
Increase (decrease) in trade and other payables	(5,432)	(18,272)
Decrease (increase) in contract assets	1,924	2,885
Increase (decrease) in contract liabilities	571	1,768
Other	(1,630)	(2,046)
Subtotal	17,159	24,499
Interest received	76	179
Dividends received	655	701
Interest paid	(475)	(660)
Income taxes paid	(6,536)	(11,590)
Net cash provided by (used in) operating activities	10,878	13,129
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,277)	(11,467)
Proceeds from sale of property, plant and equipment	241	134
Purchase of intangible assets	(395)	(584)
Purchase of investment securities	(17)	(7,723)
Proceeds from sale of investment securities	3	181
Collection of loans receivable	431	156
Payments for acquisition of businesses	(2,094)	—
Other	(15)	3
Net cash provided by (used in) investing activities	(11,124)	(19,299)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,509	3,263
Proceeds from long-term borrowings	1,977	319
Repayments of long-term borrowings	(4,990)	(4,014)
Proceeds from issuance of bonds	10,000	—
Additional purchase of shares of subsidiaries	(551)	—
Proceeds from sale and leaseback transactions	298	289
Repayments of lease liabilities	(1,122)	(1,046)
Dividends paid	(6,130)	(6,779)
Dividends paid to non-controlling interests	(412)	(279)
Other	382	394
Net cash provided by (used in) financing activities	2,960	(7,853)
Impact of exchange fluctuations for cash and cash equivalents	620	706
Net increase (decrease) in cash and cash equivalents	3,335	(13,317)
Net increase (decrease) in cash and cash equivalents due to a change in the scope of consolidation	841	157
Cash and cash equivalents at beginning of period	59,554	65,944
Cash and cash equivalents at end of period	63,731	52,785