

February 9, 2024

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

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

1. Results for the Nine Months Ended December 31, 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	%
Nine months ended December 31, 2023	744,668	2.7	49,832	20.3	49,290	20.0	32,416	21.4	31,046	17.2	52,539	42.5
Nine months ended December 31, 2022	724,769	12.0	41,429	-16.4	41,060	-16.2	26,705	-21.9	26,492	-17.6	36,877	-7.2

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2023	Yen 136.32	Yen 136.21
Nine months ended December 31, 2022	116.78	116.66

(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
As of December 31, 2023	Million yen 1,192,514	Million yen 478,987	Million yen 460,204	% 38.6
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
The fiscal year ended March 31, 2023	Yen —	Yen 28.00	Yen —	Yen 32.00	Yen 60.00
The fiscal year ending March 31, 2024	—	30.00	—		
The fiscal year ending March 31, 2024 (Forecasts)				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 fiscal year	1,080,000	7.5	72,000	15.8	70,000	14.8	44,000	9.6	193.12

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

As of December 31, 2023:	1,651,412 shares
As of March 31, 2023:	2,402,613 shares
 - c. Average number of shares during the term

First Nine months of the fiscal year ending March 31, 2024:	227,746,017 shares
First Nine months of the fiscal year ended March 31, 2023:	226,860,794 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 Third Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

During the cumulative third quarter of the current consolidated fiscal year, socioeconomic activities in the Japanese economy steadily returned to normal after the COVID-19 pandemic. In the manufacturing sector, auto production related to a wide range of industries recovered to normal levels, and capital investment associated with labor saving and reductions in CO2 emissions remained steady. In general, the economy remained on a recovery track. However, the outlook remained uncertain, reflecting the risk of a downturn in overseas economies caused by a slowdown in the Chinese economy and the geopolitical risk caused by the intensifying conflicts in the Middle East region.

In this business environment, the Group bolstered the profitability of existing businesses in Japan through integrated Group management based on business units. It also accelerated efforts to build a foundation for the industrial gas business overseas, a future growth area, and to create new carbon neutral and agriculture businesses, which will contribute to solving social issues.

For its existing businesses in Japan, the Group continued to integrate and reorganize group companies to establish a core company, in which each business unit would achieve autonomous growth. In addition, the Group implemented thorough value management to ensure a profit level appropriate for the value of products and services and engaged in profit growth measures, including an increase in productivity and improvements to low-profit projects through total inspections of businesses.

Among its overseas businesses, the Group carried out active investment in North America and India, which are key strategic areas, and expanded infrastructure for the industrial gas business. In North America, the Group purchased multiple gas dealerships, launched the construction of a large gas plant in New York, which would be the Group's first manufacturing based in North America, and entered a helium gas business. In India, the Group received new orders for an onsite gas supply project for steelworks from Steel Authority of India Limited (SAIL), a state-run steel company. In addition, the construction of a liquefied gas production plant in southern India and gas filling stations in the northern region progressed as planned.

In the creation of new businesses through the solution of social issues, the Group worked to build a supply chain for bio-methane created from livestock excreta, which could be a fuel alternative to LNG, using gas refining and separation technologies and the Group's business base in Hokkaido with the aim of establishing a carbon neutral society. In expectation of diverse demands for CO2 emission reduction such as CO2 collection and reuse, low-carbon hydrogen, and ammonia, the Group worked to build a group-wide system of business promotion.

In the agriculture business, recognizing that ensuring food security and higher self-sufficiency in food products are social issues, the Group restructured the business in Hokkaido in the agriculture and processing sectors and focused on setting up a new distribution and processing business for fruits and vegetables based on capital and business alliances with the industry's two major companies. Moreover, the Group built a new "Gas Technology Development Center" to specialize in gas technologies that will serve as both the foundation for all businesses and as a source of synergies. The Group began conducting testing use gas technologies to transport and maintain the freshness of agricultural products.

Looking at the consolidated results for the nine months of the current consolidated fiscal year, negative effects such as the sluggish semiconductor market and an economic slowdown in China were offset by progress in the improvement of the earnings structure in response to rises in various costs. This resulted in further growth from the first half of the fiscal year under review, in which profit increased substantially, maintaining a pace of steady growth.

In particular, in the businesses of industrial gas and commercial salt, the cost of which began to rise in the previous fiscal year, the effect of cost reductions and price revisions, including increased efficiency in production and logistics, began to emerge. In the Global & Engineering business, orders for new projects involving liquid hydrogen tanks, demand for which is high, and large data centers helped maintain the growth trend. Moreover, growth of the beverage business and the effect of new consolidation of vegetable and fruit wholesale in the Agriculture & Foods segment were part of the contribution. The woody biomass power generation business, which had a significant impact on the results in the previous fiscal year, achieved a considerable recovery thanks to a decrease in the cost of shipping of power generation fuel.

As a result, for cumulative third quarter of the current fiscal year, the group's revenue was ¥744,668million (102.7% that of the corresponding period of the previous year), operating profit was ¥49,832million (120.3%), and profit attributable to owners of parent was ¥31,046million (117.2%).

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 third quarter of the previous fiscal year is disclosed based on the reporting segment classification after the change.

(Million yen)				
	Revenue		Operating profit	
	FY 2023.3Q	YoY Growth	FY2023.3Q	YoY Growth
Digital & Industry	251,561	102.1%	22,735	120.6%
Energy Solutions	42,869	94.7%	1,567	73.9%
Health & Safety	165,731	98.1%	8,967	92.4%
Agriculture & Foods	125,020	107.7%	6,668	128.1%
Other Business	159,486	107.7%	8,136	223.4%
(Adjustment)	-	- %	1,756	91.7%
Total	744,668	102.7%	49,832	120.3%

(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 third quarter of fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	65,944	62,912
Trade and other receivables	229,276	225,563
Inventories	92,014	105,035
Other financial assets	6,151	6,419
Income taxes receivable	4,307	2,498
Other current assets	33,444	42,004
Total current assets	431,139	444,434
Non-current assets		
Property, plant and equipment	443,443	483,495
Goodwill	65,130	72,899
Intangible assets	32,568	33,552
Investments accounted for using equity method	32,630	34,458
Retirement benefit asset	3,836	3,822
Other financial assets	78,182	113,336
Deferred tax assets	2,184	2,285
Other non-current assets	2,528	4,228
Total non-current assets	660,505	748,079
Total assets	1,091,645	1,192,514

	End of the previous fiscal year (As of March 31, 2023)	End of the third quarter of fiscal year (As of December 31, 2023)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	166,601	158,422
Bonds and borrowings	83,340	77,694
Other financial liabilities	5,035	13,573
Income taxes payable	10,127	8,559
Provisions	901	1,024
Other current liabilities	33,691	42,405
Total current liabilities	299,697	301,678
Non-current liabilities		
Bonds and borrowings	283,385	351,334
Other financial liabilities	30,192	22,741
Retirement benefit liability	6,365	6,748
Provisions	3,157	3,567
Deferred tax liabilities	14,601	20,532
Other non-current liabilities	7,762	6,923
Total non-current liabilities	345,465	411,847
Total liabilities	645,162	713,526
Equity		
Share capital	55,855	55,855
Capital surplus	49,962	49,011
Treasury shares	(3,532)	(2,401)
Retained earnings	303,680	319,902
Other components of equity	24,266	37,837
Total equity attributable to owners of parent	430,232	460,204
Non-controlling interests	16,249	18,782
Total equity	446,482	478,987
Total liabilities and equity	1,091,645	1,192,514

(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 third quarter of the consolidated fiscal year

(Unit : Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Continuing operations		
Revenue	724,769	744,668
Cost of sales	(577,774)	(583,795)
Gross profit	146,995	160,872
Selling, general and administrative expenses	(109,548)	(115,350)
Other income	5,138	4,636
Other expenses	(2,955)	(2,255)
Share of profit of investments accounted for using equity method	1,801	1,929
Operating profit	41,429	49,832
Finance income	1,601	2,646
Finance costs	(1,971)	(3,188)
Profit before tax	41,060	49,290
Income tax expense	(14,365)	(16,887)
Profit from continuing operations	26,694	32,403
Discontinued operations		
Profit (loss) from discontinued operations	10	13
Profit	26,705	32,416
Profit attributable to		
Owners of parent	26,492	31,046
Non-controlling interests	212	1,370
Profit	26,705	32,416

(Unit : Yen)

Earnings per share		
Basic earnings (loss) per share		
Continuing operations	116.73	136.26
Discontinued operations	0.05	0.06
Basic earnings per share	116.78	136.32
Diluted earnings (loss) per share		
Continuing operations	116.61	136.15
Discontinued operations	0.05	0.06
Diluted earnings per share	116.66	136.21

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

(Unit : Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	26,705	32,416
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	52	5,285
Share of other comprehensive income of investments accounted for using equity method	(23)	102
Total of items that will not be reclassified to profit or loss	29	5,387
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	8,347	6,454
Effective portion of gains and losses on hedging instruments in a cash flow hedge	1,550	8,053
Share of other comprehensive income of investments accounted for using equity method	245	228
Total of items that may be reclassified to profit or loss	10,142	14,736
Total other comprehensive income	10,172	20,123
Comprehensive income	36,877	52,539
Comprehensive income attributable to		
Owners of parent	35,669	49,453
Non-controlling interests	1,207	3,086
Comprehensive income	36,877	52,539

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
 Nine months ended December 31, 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	—	—	—	26,492	—	—
Other comprehensive income	—	—	—	—	—	8,410
Comprehensive income	—	—	—	26,492	—	8,410
Purchase of treasury shares	—	—	(2)	—	—	—
Disposal of treasury shares	—	22	1,102	—	—	—
Dividends	—	—	—	(13,047)	—	—
Share-based payment transactions	—	—	—	—	—	—
Increase (decrease) due to changes in equity	—	(258)	—	—	—	—
Increase (decrease) due to new consolidation	—	—	—	575	—	176
Transfer from other components of equity to retained earnings	—	—	—	64	—	—
Put option provided to non-controlling shareholders	—	(196)	—	—	—	—
Transfer to non-financial assets	—	—	—	—	—	—
Transfer to other components of equity related to disposal group held for sale	—	—	—	—	—	—
Total transactions with owners	—	(432)	1,100	(12,407)	—	176
Balance as of December 31, 2022	55,855	52,206	(3,738)	289,243	—	13,202

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Other components of equity				Other components of equity related to disposal group held for sale	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	—	—	—	—	—	26,492	212	26,705
Other comprehensive income	34	732	—	9,177	—	9,177	994	10,172
Comprehensive income	34	732	—	9,177	—	35,669	1,207	36,877
Purchase of treasury shares	—	—	—	—	—	(2)	—	(2)
Disposal of treasury shares	—	—	—	—	—	1,125	—	1,125
Dividends	—	—	—	—	—	(13,047)	(601)	(13,649)
Share-based payment transactions	—	—	—	—	—	—	—	—
Increase (decrease) due to changes in equity	—	—	—	—	—	(258)	(204)	(463)
Increase (decrease) due to new consolidation	—	—	—	176	—	752	603	1,355
Transfer from other components of equity to retained earnings	(64)	—	—	(64)	—	—	—	—
Put option provided to non-controlling shareholders	—	—	—	—	—	(196)	—	(196)
Transfer to non-financial assets	—	(655)	—	(655)	—	(655)	(629)	(1,285)
Transfer to other components of equity related to disposal group held for sale	—	(2,243)	—	(2,243)	2,243	—	—	—
Total transactions with owners	(64)	(2,899)	—	(2,787)	2,243	(12,282)	(833)	(13,115)
Balance as of December 31, 2022	7,385	1,828	291	22,707	2,243	418,519	25,099	443,619

Nine months ended December 31, 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	—	—	—	31,046	—	—
Other comprehensive income	—	—	—	—	—	6,560
Comprehensive income	—	—	—	31,046	—	6,560
Purchase of treasury shares	—	—	(3)	—	—	—
Disposal of treasury shares	—	6	1,133	—	—	—
Dividends	—	—	—	(14,197)	—	—
Share-based payment transactions	—	—	—	—	—	—
Increase (decrease) due to changes in equity	—	(637)	—	—	—	—
Increase (decrease) due to new consolidation	—	(4)	—	(891)	—	—
Transfer from other components of equity to retained earnings	—	—	—	264	—	—
Put option provided to non-controlling shareholders	—	(314)	—	—	—	—
Transfer to non-financial assets	—	—	—	—	—	—
Transfer to other components of equity related to disposal group held for sale	—	—	—	—	—	—
Total transactions with owners	—	(950)	1,130	(14,824)	—	—
Balance as of December 31, 2023	55,855	49,011	(2,401)	319,902	—	17,988

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Other components of equity				Other components of equity related to disposal group held for sale	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	—	—	—	—	—	31,046	1,370	32,416
Other comprehensive income	5,341	6,505	—	18,407	—	18,407	1,715	20,123
Comprehensive income	5,341	6,505	—	18,407	—	49,453	3,086	52,539
Purchase of treasury shares	—	—	—	—	—	(3)	—	(3)
Disposal of treasury shares	—	—	—	—	—	1,140	—	1,140
Dividends	—	—	—	—	—	(14,197)	(569)	(14,767)
Share-based payment transactions	—	—	(79)	(79)	—	(79)	—	(79)
Increase (decrease) due to changes in equity	—	—	—	—	—	(637)	(196)	(834)
Increase (decrease) due to new consolidation	—	(3,281)	—	(3,281)	—	(4,177)	324	(3,853)
Transfer from other components of equity to retained earnings	(264)	—	—	(264)	—	—	—	—
Put option provided to non-controlling shareholders	—	—	—	—	—	(314)	—	(314)
Transfer to non-financial assets	—	(1,211)	—	(1,211)	—	(1,211)	(111)	(1,322)
Transfer to other components of equity related to disposal group held for sale	—	—	—	—	—	—	—	—
Total transactions with owners	(264)	(4,492)	(79)	(4,837)	—	(19,481)	(552)	(20,034)
Balance as of December 31, 2023	15,785	3,858	204	37,837	—	460,204	18,782	478,987

(4) Condensed quarterly Consolidated Statement of Cash Flows

(Unit : Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before tax	41,060	49,290
Profit (loss) before tax from discontinued operations	10	13
Depreciation and amortization	33,462	34,299
Interest and dividend income	(1,256)	(1,902)
Interest expenses	1,565	2,525
Share of loss (profit) of investments accounted for using equity method	(1,801)	(1,929)
Loss (gain) on sale and retirement of fixed assets	10	(6)
Decrease (increase) in trade and other receivables	(23,496)	7,159
Decrease (increase) in inventories	(18,247)	(10,812)
Increase (decrease) in trade and other payables	22,448	(11,195)
Decrease (increase) in contract assets	(4,222)	(2,702)
Increase (decrease) in contract liabilities	5,749	7,778
Other	(6,597)	(6,359)
Subtotal	48,684	66,159
Interest received	249	536
Dividends received	1,368	1,417
Interest paid	(1,471)	(2,344)
Income taxes paid	(12,871)	(16,394)
Net cash provided by (used in) operating activities	35,959	49,373
Cash flows from investing activities		
Purchase of property, plant and equipment	(46,402)	(48,337)
Proceeds from sale of property, plant and equipment	2,083	872
Purchase of intangible assets	(1,179)	(1,652)
Purchase of investment securities	(2,330)	(10,982)
Proceeds from sale of investment securities	102	676
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,147)	(7,322)
Collection of loans receivable	837	1,515
Payments for acquisition of businesses	(2,094)	(8)
Other	(476)	(16,971)
Net cash provided by (used in) investing activities	(54,606)	(82,209)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	26,105	7,142
Proceeds from long-term borrowings	22,928	37,870
Repayments of long-term borrowings	(17,755)	(29,533)
Proceeds from issuance of bonds	10,000	30,000
Additional purchase of shares of subsidiaries	(691)	(834)
Proceeds from sale and leaseback transactions	541	802
Repayments of lease liabilities	(3,734)	(3,828)
Dividends paid	(12,662)	(13,789)
Dividends paid to non-controlling interests	(601)	(569)
Other	1,103	1,082
Net cash provided by (used in) financing activities	25,233	28,342
Impact of exchange fluctuations for cash and cash equivalents	449	(525)
Net increase (decrease) in cash and cash equivalents	7,035	(5,018)
Net increase (decrease) in cash and cash equivalents due to a change in the scope of consolidation	841	1,986
Cash and cash equivalents at beginning of period	59,554	65,944
Net increase (decrease) in cash and cash equivalents contained in assets held for sale	(229)	—
Cash and cash equivalents at end of period	67,201	62,912