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Consolidated Financial Results For The Second Quarter Of The March 31,2009 Fiscal Year

AIR WATER INC.

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

1. Results for the Six Months Ended September 30, 2008

(1) Results of Operation

(% of change from previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six Months Ended September 30, 2008	219,808		11,190		12,681		6,687	
Six Months Ended September 30, 2007	197,293	0.3	9,975	6.2	11,395	8.7	6,573	40.2

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Six Months Ended September 30, 2008	36.15	36.14
Six Months Ended September 30, 2007	36.37	35.77

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2008	366,570	142,164	35.9	711.09
As of March 31, 2008	353,399	137,991	36.1	689.41

Reference : Equity As of September 30,2008 : 131, 506 millions of yen As of March 31,2008 : 127, 567 millions of yen

2. Other

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation) : None
- (2) Application of simplified accounting procedures and specific accounting procedures for preparing the quarterly consolidated financial statements : Yes

Note: For more details, please refer to the section of “3.Other matters “ of [Qualitative Information and Financial Statement and Other Information] on p.3

(3)Changes in accounting policies, procedures, and presentation methods for preparing the quarterly consolidated financial results

- a. Changes arising from revisions of accounting standard : Yes
- b. Changes arising from other reasons : Yes

Note: For more details, please refer to the section of “3.Other matters “ of [Qualitative Information and Financial Statement and Other Information] on p.3

(4)Number of shares outstanding (ordinary shares)

a. Total number of shares outstanding (including treasury stock)

as of September 30,2008: 185,205,057 shares

as of March31,2008: 185,205,057 shares

b. Number of shares of treasury stock

as of September 30,2008: 268,218 shares

as of March31,2008: 165,218 shares

c. Average number of shares during six months

First Six months of the fiscal year ending March 31,2009 : 184,993,545 shares

First Six months of the fiscal year ending March 31,2008 : 180,745,920 shares

Notes

“Accounting Standard for Quarterly Financial Reporting ”and related guidance “Accounting Standard for Quarterly Financial Reporting ”(Accounting Standards Board of Japan [ASBJ] Statement No.12 , March 14,2007) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No.14, March 14,2007) are applied from the current fiscal year ending March 31,2009. Quarterly financial statements are prepared in accordance with “Rules for Quarterly Consolidated Financial Statements”.

Qualitative Information, Financial Statements and Other Information

1. Qualitative information on consolidated business performance

In the business environment surrounding the AWI group in the second quarter consolidated financial accounting term, it has been 35 years since steel recorded its best first half of a fiscal year with the national crude steel production, and the production continued at a high level in the manufacturing industry overall, such as electronics, automobile, shipbuilding and construction equipment. Accordingly, the industrial business and chemical business increased satisfactorily and led the performances.

In the industrial business, the gas supplied to the institutional customers on an on-site base increased satisfactorily. The area base reinforcement plan according to the installation of highly efficient and compact VSU (compact liquid oxygen/nitrogen co-production plant) plants started operating smoothly, with the installation of the 5th system in Motomiya City, Fukushima Prefecture first, the 6th system in Sagami City, Kanagawa Prefecture and the 7th system in Matsuyama City, Ehime Prefecture. As a result, there was an improvement in the efficiency of industrial gas transportation, and a more than adequate supply for the local demands was achieved. Also, the overall industrial gas price was properly revised according to the increase in the electrical rates and transportation costs.

The Chemical business increased satisfactorily due to the supply and demand of basic chemicals being tight, such as crude benzene and tar and the favorable conditions of the market. The magnesia for use in the production of electrical steel sheet increased satisfactorily, due to the expansion of global power infrastructures and the permeation of the price change.

The medical business increased due to the expansion in the number of hospitals where medical oxygen applications is the main product, even though the severe conditions continue in the reduction of the medical treatment fees. In addition, the overall Medical business increased satisfactorily due to the development of the business structural reform for medical equipment and the medical service field.

The severe conditions continued in the Energy business with a reduction in sales due to the increase in the purchasing price of LP gas and kerosene, and the effect from climate change. However, the Energy business increased satisfactorily overall by changing the sales method from wholesale to retail, revising the price and promoting the optimization of the joint filling and delivery of LP gas.

The severe conditions continued in the physical distribution business due to a reduction in the amount of freight handled in the general physical distribution, in addition to an increase in the cost of fuel and etc. however, the refrigerated transportation business which is our most successful area expanded, due to new consignments for general sample shipments from the Japanese Red Cross Society and an increase in the physical distribution of food products.

While great regard is given to the safeness of food products, the food product business increased satisfactorily with the expansion in foodstuffs for school lunches due to the high evaluation and reliability of our agricultural products.

As a result of the above, the net sales for the second quarter stood at ¥219,808 million (111.4% compared with the same period of last year), and the operating income stood at ¥11,190 million (112.2% compared with the same period of last year). The ordinary income stood at ¥12,681 million (111.3% compared with the same period of last year), the quarterly net income was ¥6,687 million (101.7% compared with the same period of last year), and the quarterly net income per share was ¥36.15 (down ¥0.22 compared with the same period of last year).

The performance for each segment is as follows.

	Net Sales		Operating Income	
	Second Quarter	Term to Term	Second Quarter	Term to Term
Industrial Business	100,633	104.9%	8,225	107.8%
Medical Business	24,067	101.4%	359	176.6%
Chemical	55,515	137.9%	1,362	113.7%
Energy	20,981	110.2%	285	461.5%
Other Businesses	18,610	101.8%	957	108.3%
Total	219,808	111.4%	11,190	112.2%

2. Qualitative information on the Company's financial status

Due to an increase in inventory and tangible fixed assets, the total assets as of September 30,2008 stood at ¥366,570 million, with an increase of ¥13,171 million when compared to as of March 31,2008 . The liabilities stood at ¥224,406 million with an increase of ¥8,999 million when compared to as of March 31,2008, due to an increase in short term loans. The net assets stood at ¥142,164 million with an increase of ¥4,172 million when compared to as of March 31,2008, due to an accumulation of the quarterly net income.

The net asset per share increased to ¥711.09 from ¥689.41 of as of March 31,2008, and the equity ratio decreased to 35.9% from 36.1% of as of March 31,2008.

As a result of deducting the reductions of payments for corporate taxes from the increase income before income taxes and minority interests, depreciation and the like, the cash flow from the operating activities stood at ¥9,614 million.

The cash flow from investment activities was ¥15,409 million due to disbursements for purchasing tangible fixed assets, and the disbursements and loans for purchasing investments in securities. As a result, the free cash flow decreased ¥5,795 million.

The cash flow from financing activities earned ¥6,432 million, due an increase in short term loans payable and payout of dividends.

As a result of the above, the balance of cash and cash equivalents as of September 30,2008 stood at ¥13,174 million, with an increase of ¥649 million when compared to as of March 31,2008.

3. Other Information

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation)

None

- (2) Application of simplified accounting procedures and specific accounting procedures for preparing the quarterly consolidated financial statements:

a. Calculation of income taxes

Income taxes for the majority of consolidated subsidiaries are computed first by reasonably estimating the effective tax rate after applying tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the second quarter under review, and next by multiplying the quarterly net income before income before taxes and minority interests by such estimated effective tax rate.

b. Judging the recoverability of deferred tax assets

In judging the recoverability of deferred tax assets, because it is found that business circumstances as well as occurrences of temporary differences have not materially changed since the previous year-end , the calculation of income taxes and deferred tax assets and liabilities is made employing the future forecasts of operating results and the tax planning used at the previous year-end.

- (3) Changes in accounting policies and procedures and presentation methods for preparing the quarterly

consolidated financial statements

- a. Application of “Accounting Standard for Quarterly Financial Reporting ” and related guidance “Accounting Standard for Quarterly Financial Reporting ”(Accounting Standards Board of Japan [ASBJ] Statement No.12 , March 14,2007) and “Guidance on Accounting Standard for Quarterly Financial Reporting ” (ASBJ Guidance No.14, March 14,2007) are applied from the current fiscal year ending March 31,2009. Quarterly financial statements are prepared in accordance with “Rules for Quarterly Consolidated Financial Statements”.
- b. Application of “Accounting Standard for Measurement of Inventories”
Inventories were previously stated at the acquisition cost, determined principally by the average method. However, with the Company’s adoption of “Accounting Standard for Measurement of Inventories”(ASBJ Statement No.9, July 5,2006) from the first quarter ended June 30,2008, inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average methods. As impact of this change for the six months ended September 30, 2008, operating income and ordinary income decreased by ¥36 million, income before income taxes and minority interests decreased by ¥477 million.
- c. Application of “Accounting Standard for Lease Transactions” and related guidance Finance lease transactions without title transfer were formerly accounted for as operating leases. On March 30,2007, the ASBJ issued ASBJ Statement No.13, “Accounting Standard for Lease Transactions”, which revised the former accounting standard for lease transactions issued on June 17,1993, and ASBJ Guidance No.16, “Guidance on accounting Standard for Lease Transactions”, which revised the former guidance issued on January 18,1994. The revised accounting standard is permitted to be adopted for fiscal years beginning on or after April 1, 2008. Accordingly, the Company has applied the revised accounting standard from the first quarter ended June 30, 2008. The revised accounting standard requires that all finance lease transactions shall be accounted for normal sales transaction. However, Finance leases which do not transfer ownership and do not bargain purchase provisions commenced before April 1,2008 are continuously accounted for in the same manner as operating leases. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.
- d. Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement”
“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement”(ASBJ Practical Issues Task Force No.18, May 17,2006) has been applied from the first quarter ended June 30,2008 and necessary modifications have been made for consolidation. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.

(Additional information)

Estimates of the useful lives of the “machinery and equipment” at the Company and its domestic consolidated subsidiaries have been reviewed in the tax reforms in 2008 and Changes have been made from the first quarter ended June 30, 2008. However, the useful lives of the “machinery and equipment” acquired before April 1,2008 have not been changed. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.