

November 12, 2010

Consolidated Financial Results (Japanese Accounting Standards)
For The Second Quarter Of The March 31,2011 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, 2010

(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, 2010	226,814	13.7	13,009	19.7	13,804	29.8	6,748	39.2
Six Months Ended September 30, 2009	199,437	-9.3	10,867	-2.9	10,635	-16.1	4,846	-27.5

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Six Months Ended September 30, 2010	35.32	34.44
Six Months Ended September 30, 2009	26.14	24.78

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30,2010	396,031	162,831	38.3	799.72
As of March 31, 2010	392,758	163,949	39.0	789.89

Reference: Equity As of September 30,2010 : 151,629 millions of yen As of March 31,2010 : 153,140 millions of yen

2. Other (For more details, please refer to the section of “2.Other Information” on p.5 of the attached documents.)

(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: Yes

Note: Application of simplified accounting procedures and specific accounting procedures for preparing the quarterly consolidated financial statements

(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: None

(4) Number of shares outstanding (ordinary shares)

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

as of September 30, 2010: 194,205,057 shares

as of March 31, 2010: 194,205,057 shares

b. Number of shares of treasury stock

as of September 30, 2010: 4,601,110 shares

as of March 31, 2010: 330,429 shares

c. Average number of shares during six months

First Six months of the fiscal year ending March 31, 2011: 191,083,350 shares

First Six months of the fiscal year ending March 31, 2010: 185,404,417 shares

* Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from quarterly review procedure based on upon the Financial Instruments and Exchange Act. The review procedure for quarterly consolidated financial statements based upon the Financial Instruments and Exchange Act has been completed at the time of disclosure of this report.

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative information on consolidated business performance

1) Overall business conditions in the second quarter consolidated cumulative period With regard to the business environment surrounding the company group, production activities in the manufacturing sector including export-related industries continued to make a gradual, but steady recovery on a broader scale backed by growing demands from developing countries. However, the situation in the construction sector continued to be severe with new capital investments and new housing starts remaining at low levels.

Under such environment, business results in Industrial Gas, Electronics and Chemical exceeded the level of the previous second quarter cumulative period thanks to expanded demands particularly from major customers. Medical and Energy achieved a steady growth as consumer businesses, by reinforcing the business infrastructure and expanding customers. The “Order Rodentia Style of Business,” which is a small but highly profitable business group with a diverse range of businesses including Salt Manufacturing, Magnesia, Aerosol and High-level Hospital Facility Construction also achieved a steady flow of successful results, and thereby contributed to the business results as the Group’s collective strength.

As a result, net sales for the second quarter consolidated cumulative period was ¥226,814 million (113.7 percent of the same period last year), operating income ¥13,009 million (119.7 percent) and ordinary income ¥13,804 million (129.8 percent). Net income for the second quarter was ¥6,748 million (139.2 percent).

2) Operating segment information

	(Millions of yen)	
	Sales	Ordinary income
	Six months ended September 30, 2010	Six months ended September 30, 2010
Industrial	65,352	5,705
Electronics	24,195	1,773
Chemical	40,088	1,646
Medical	29,753	1,282
Energy	18,842	727
Other	48,583	2,563
adjustment	—	103
Total	226,814	13,804

Note 1. Due to changes in segment categorization, year-on-year comparisons by segment are not provided.

2. The adjustments to ordinary income are costs incurred at the company’s headquarters division and research and development division which were not allocated to each reporting segment, financial profit and loss and others.

<Industrial Gas Business>A high level of production continued in Industrial Gas Business because the recovery that started in the on-site supply to major steel manufacturers during the second half of the previous fiscal year gained strength. The group has also been responding to booming demand for gases due to increased equipment capacity required for growing production of special glass for export. Demand for gas used for chemical processes, shipbuilding, automobiles and construction materials has also been recovering steadily. All of the eight VSU (high-efficiency liquid oxygen/nitrogen co-production plant) bases that are critical hubs for region-based businesses continued production at full capacity, contributing to an increase in regional business earnings. The work to replace on-site plants with those equipped with most advanced energy-saving technology has been well underway in Kobe and Wanishi plants with the goal of starting operation in April next year.

<Electronics Business>The on-site bulk gas supply remained steady thanks to the start of the full operation of three panel display plants for the Osaka Bay Area Project and the full capacity operation at electronics device manufacturers. As for special materials business, chemical materials for the next-generation semiconductors and organic metal materials for LED remained favorable. Special gas for CIS solar cells also remained steady. In Information and Electronics Materials Business, Inoueki Co., a trading company specializing in chemical products and electronic materials, was newly added to the

scope of consolidation from the first-quarter consolidated accounting period.

<Chemical Business>Coal Chemical Business remained favorable thanks to the continued high level of gas refining and production of basic chemicals in response to an increase in the production of raw materials spurred by the recovery that began in the second half of the previous fiscal year in the capacity utilization rate of steel manufacturing operations. At C-Chem Co., Ltd., which engages in tar distillation, demand for its mainstay needle cokes used for electric furnace electrodes recovered rapidly and the production continued to exceed the initial plan. Fine chemicals remained robust thanks to an increase in demand for electronic materials such as “SK Resin,” semiconductor sealants.

<Medical Business>Medical use oxygen remained robust as a result of sales expansion by acquiring new contracts with hospitals and progress made in streamlining production and distribution by utilizing the VSU regional production bases. As for medical treatment devices, sales of respirators for newborn infants and infants and cardiovascular equipment remained favorable. There have been successful achievements including the full-scale start of the clinical use of medical gas drug INOflow and medical gas equipment INOvent, both of which were approved for medical insurance coverage in April this year and are used for the treatment of hypoxemic respiratory failure in newborn infants. In the SPD (Supply, Processing and Distribution) and contract sterilization services, efforts were made to improve earnings and profits by increasing efficiency and achieving synergy of both operations. In Hospital Facility Construction, the business tie-up between Air Water Service Inc and Miwa Electric Medical Co. worked effectively and stronger profitability was achieved.

<Energy Business>Although LP gas was severe in terms of sales volume due to a decline in demand for hot-water supply resulting from summer heat waves and conservative use by consumers, the business remained robust as a whole due to an increase in the number of direct sales and the progress in sales expansion for the newly launched hybrid water heating/room heating system for cold regions. Kerosene remained favorable thanks to an increase in sales volume due to the low temperature in spring.

<Other businesses>Logistics Business absorbed fuel cost increases and remained favorable due to growth in 3PL (Third Party Logistics) Business, recovery in the volume of shipments and the start of a new commissioned business. Food Products Business remained robust in spite of difficult conditions for the sales of raw ham to large volume retailers, thanks to the expanded sales of frozen agricultural products, sauce and sweets for fast food and streamlining in distribution.

Among Marine Businesses, magnesium oxide for electromagnetic steel plates in Magnesia Business continued to be stable and demand for magnesia for plasma display panels and ceramic products started to recover. Salt Manufacturing Business remained favorable thanks to the progress in the sales expansion of salt manufactured by special process including proposals of new commercial materials for major convenience stores, coupled with cost improvements such as increased efficiency in fuel procurement and streamlined distribution.

(2) Qualitative information on the Company’s financial status

Total assets at the end of the second quarter consolidated cumulative period of this fiscal year were ¥396,031 million, an increase of ¥3,273 million due to an increase in fixed assets, etc. Debt was ¥233,200 million, an increase of ¥4,391 million due to an increase in fixed liabilities, etc. Net assets were ¥162,831 million, ¥1,118 million less than the end of the previous consolidated accounting period due to acquisition of treasury stocks and a decrease in marketable securities valuation difference.

Net assets per share grew from ¥789.89 at the end of the previous consolidated accounting fiscal year to ¥799.72, and the equity ratio dropped from 39.0% at the end of the previous consolidated accounting fiscal year to 38.3%.

Cash flow from operating activities was an inflow of ¥11,744 million after deducting the payment of corporate tax from the amount increased due to the pre-tax net profit for this quarter and allowances for depreciation.

Cash flow from investing activities was an outflow of ¥14,472 million, mainly due to expenditure to acquire tangible fixed assets. As a result, free cash flow was a negative ¥2,727 million.

Cash flow from financing activities was an outflow of ¥1,532 million, mainly due to expenditure arising from acquisition of treasury stocks.

As a result of the above, the amount of cash and cash equivalents at the end of the second quarter

consolidated cumulative period of the second quarter of this fiscal year was ¥17,543 million, a decrease of ¥3,984 million from the end of the previous consolidated accounting fiscal year.

2. 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 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 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 Equity Method of Accounting for Investment” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”.

From the first quarter of the fiscal year ending March 31, 2011, the company and consolidated subsidiaries are applying “the Accounting Standard for Equity Method of Accounting for Investment” (ASBJ statement No.16 ; March 10, 2008) and “the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No.24 ; March 10, 2008).

There were no effects as a result of this change on the consolidated financial statements.

b. Application of “Accounting Standard for Asset Retirement Obligations”

From the first quarter of the fiscal year ending March 31, 2011, the company and consolidated subsidiaries are applying “the Accounting Standard for Asset Retirement Obligations”(ASBJ statement No.18 ; March 31, 2008) and “the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21 ; March 31, 2008).The impact of this change on the consolidated financial statements is immaterial.

c. Application of “Accounting Standard for business Combinations”

From the first quarter of the fiscal year ending March 31, 2011, the company and consolidated subsidiaries are applying “the Accounting Standard for Business Combinations”(ASBJ statement No.21 ; December 26, 2008), “the Accounting Standard for Consolidated Financial Statements” (ASBJ statement No.22 ; December 26, 2008), “the Partial Amendments to Accounting Standard for Research and Development Costs”(ASBJ statement No.23 ; December 26, 2008),”the Revised Accounting Standard for Business Divestitures”(ASBJ statement No.7 ; December 26,2008),”the

Accounting Standard for Equity Method of Accounting for Investment”(ASBJ statement No.16 ; March 10, 2008), and “the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 ; December 26, 2008).