

Date: November 14, 2007

CONSOLIDATED FINANCIAL RESULTS

AIR WATER INC.

Head Office: 20-16, Higashi-shinsaibashi 1-chome,
Chuo-ku, Osaka, Japan**1. Result for the Six Months Ended September 30, 2007****(1) Results of Operation**

Millions of Yen

	Net Sales	Percent Change	Operating Income	Percent Change	Net Income	Percent Change
Six months Ended September 30, 2007	197,293	+0.3%	9,975	+6.2%	6,573	+40.2%
Six months Ended September 30, 2006	196,789	+15.2%	9,395	+13.8%	4,687	+32.3%
Year Ended March 31, 2007	404,651		23,097		11,876	

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months Ended September 30, 2007	36.37	35.77
Six Months Ended September 30, 2006	28.85	25.71
Year Ended March 31, 2007	72.59	64.98

Reference: Equity in net income of non-consolidated subsidiaries and affiliates:

September 30, 2007; 1,247 million yen, September 30, 2006; 1,232 million yen, March 31, 2007; 2,342 million yen

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share(Yen)
As of September 30, 2007	352,806	137,112	36.1%	687.85
As of September 30, 2006	312,066	99,613	29.2%	558.62
As of March 31, 2007	329,228	118,244	33.2%	641.95

Reference: Equity: September 30, 2007; 127,318 million yen, September 30, 2006; 91,259 million yen, March 31, 2007; 109,438 million yen

(3) Summary of Consolidated Cash Flows

Millions of Yen

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents Ending Balance
Six Months Ended September 30, 2007	14,202	(22,736)	6,231	14,786
Six Months Ended September 30, 2006	17,397	(8,441)	(7,779)	14,192
Year Ended March 31, 2007	30,648	(17,213)	(9,615)	16,846

2. Dividends

	Dividend per Share(Yen)		
	Interim	Year-End	Annual
Year Ended March 31, 2007	9.00	11.00	20.00
Year Ended March 31, 2008	10.00		

3. Other Information

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation)

No change

(2) Changes in Accounting Principles, Procedures and Presentation Methods for Consolidated Financial Results

(1) Changes arising from revision of accounting standards: Yes

(2) Changes arising from other factors: Yes

(3) Number of shares Outstanding (Ordinary Shares)

(1) Number of shares outstanding (including treasury stock) as of September 30, 2007 ; 185,205,057 shares

as of September 30, 2006 ; 163,473,557 shares

as of March 31, 2007 ; 170,688,156 shares

(2) Number of shares of treasury stock as of September 30, 2007 ; 108,047 shares

as of September 30, 2006 ; 107,321 shares

as of March 31, 2007 ; 210,014 shares

1. Operating results

(1) Analysis of results

The current fiscal year marks the first year in the Air Water Group's new mid-term plan Renovation 300 that charts a course forward for the company to establish a commanding presence in the industrial gas industry.

In the first-half of fiscal 2007, Air Water Inc. continued to enjoy growth in demand in all sectors of its industrial gas business on the back of high levels of production activity throughout the Japanese manufacturing industry. Following the boosting of facility capacity in the steel, chemicals, electronics, liquid crystal and glass industries, AWI also enjoyed higher sales of gas related equipment and construction.

The Chemical Business Group reported brisk sales against a backdrop of firm growth in the basic chemicals sector in Asian markets.

The Medical and Energy Business Groups have been actively implementing structural reorganization in line with the mid-term business plan in order to strengthen earning power and profitability.

As a result, for the term under review AWI reported a consolidated net income of ¥6,573 million, up 40.2 percent year-on-year, on consolidated net sales of ¥197,293 million, up 0.3 percent, with operating income of ¥9,975 million, up 6.2 percent, ordinary income of ¥11,395 million, up 8.7 percent, and a net income per share of ¥36.7, up ¥7.52.

The performance of individual business group is outlined below

	(¥ million)		
	Net sales		
	1H FY07	1H FY06	Ratio of total sales
Industrial business	95,952	105.8%	48.6%
Medical business	23,745	104.2%	12.0%
Chemical business	40,265	104.7%	20.4%
Energy business	19,045	99.7%	9.7%
Other business	18,283	-	9.3%
Total	197,293	100.3%	100.0%

Industrial Business Group

Demand for all industrial gases remained strong and supplies of industrial gases continued at high levels: oxygen to the steel and glass industries; nitrogen to the chemicals, liquid crystal, PDP and electronics industries; argon to the steel, silicon wafer and automobile industries; helium to the electronics, optical fiber and MRI industries and carbon dioxide to the shipbuilding industry. The very hot summer in Japan brought increased demand for dry ice used in transportation of foodstuffs and the integration of businesses also promoted growth in sales. In the hydrogen gas business, the two VH reforming hydrogen generator using thermo-neutral developed by the AWI and the first of their type anywhere continued to operate smoothly in on-site supply operations to steel sheet manufacturers. Demand for hydrogen gas also grew in the solar cell industry which AWI is focusing on as a growth market.

AWI's engineering business, comprising construction of on-site plant and of piping at customer plants, also grew strongly as customers in the electronics and other industries boosted their production facilities.

AWI established Tokai Ekisan Co., Ltd. to operate its fourth VSU (compact liquid oxygen/nitrogen co-production plant) as new part of its strategy of strengthening and expanding regional operations. This will stabilize the supply of industrial gases in the Tokai region and allow a reduction in the transportation of gases from the Kansai region, thereby realizing a significant increase in logistics efficiency.

Medical Business Group

The Medical Business Group's efforts to win new hospital customers for its mainstay medical oxygen gases are proving successful. The group is working to improve efficiencies in medical gas manufacture and logistics through the utilization of VSU plant at regional manufacturing hubs and is reorganizing its structure to raise earning power and profitability.

A drop in large-scale orders for medical equipment and in hospital construction and greater competition in the home oxygen therapy and in the welfare and care business saw these sectors operating under difficult conditions. The group is continuing to reduce costs and reform its profit structure as it works to improve business efficiencies in its Supply Processing and Distribution (SPD) and contract sterilizing business for hospitals, a sector in which AWI is focusing its energies.

Chemical Business Group

In basic chemical products sector the group reported strong crude benzene sales on the back of an upturn in market conditions stemming from the rise in oil prices. AW Group Company C-Chem Co., Ltd. posted strong sales of tar distillates for use in electrode pitch, while a very active market in China saw brisk sales of naphthalene and phthalic anhydride. In the fine chemicals sector sales of quinoline acid and other products to the pharmaceutical industry grew satisfactorily.

Production of magnesium oxide for use in the production of electrical steel sheets continued to at high levels driven by the expansion of the global power supply infrastructure. Sales of magnesia for use in electric heater insulating material grew in Europe.

In its electronics materials sector, AWI brought to market the CMP slurry delivery system developed at its Research & Development Institute for the semi-conductor industry and this new product is contributing to sales.

On September 28 AWI made an equity investment in Nihonkaisui Co., Ltd., a leading manufacturer of salt in Japan, making it a subsidiary company. Combining the resources of Tateho Chemical Industries, Nihonkaisui and the AW group as a whole, AWI is actively engaged in research and development to make more effective use of marine resources with a view to creating a new marine products business sector in the near future.

Energy Business Group

The Energy Business Group operated under difficult circumstances as it was impacted by increases in the purchase price of LP gas and kerosene due to soaring oil prices and by a significant decline in sales of household gas and kerosene due to the record-breaking summer temperatures in Japan. In a more positive vein, as one step in the reorganization of the energy business that forms a central part of the mid-term business plan, AWI has been actively acquiring trade rights and increasing its number of direct sales customers as it strives to strengthen earning power and profitability in the group.

The LNG related equipment and supply systems sector returned a good performance boosted by increased sales of LNG containers.

Other business

The Food Products Business Group continued to operate in a difficult climate due to sharp increases in raw material prices for frozen fishery products but efforts to develop and increase sales of highly-processed new products are paying off with a steady growth in sales. The ham and other delicatessens product sector saw increased sales of raw ham and bacon and salami for commercial use where manufacturing methods and quality are priority considerations.

AWI's logistics business enjoyed significant growth, and saw greater efficiencies, in its third party logistics (3PL) services for the food industry and in its housing equipment and materials logistics services. AWI remains the sole provider of source plasma and Nucleic Acid Amplification Test (NAT) sample transport to the Japan Red Cross Society and this side of the business continued to perform strongly.

The logistics business continued to operate in a challenging environment impacted by increases in diesel fuel prices and ferry freight charges stemming from high oil prices. However, AWI is working to strengthen the earnings structure of its logistics business as it rectifies haulage prices by passing on cost rises to shippers and by other means, and at the same time by reducing fuel and haulage costs through driver education programs and the promotion of more economical driving habits.

Full-year outlook

As to the second-half of the fiscal year, while there is some concern about the impact of high oil prices and the subprime credit crunch in the United States, AWI considers that the Japanese domestic economy will continue to see brisk production activity in its core and

other industrial sectors and that demand for industrial gases will remain firm. However, AWI expects to be faced with rising logistics costs and other challenges stemming from the tight demand-supply business climate. AWI will strive to raise efficiencies in its manufacturing and logistics activities and to gain the understanding of its customers as it seeks to revise prices.

Construction of AWI's new Research & Development Institute in Matsumoto City, Nagano Prefecture, which began in July 2006, has recently been completed. Gathering the R&D functions that had operated at eight places throughout Japan under the roof of the new Institute will allow AWI to strengthen its leading-edge research in the industrial gas, electronics and medical fields.

Given its first-half results and the outlook for the second half, AWI revises its original full-year forecasts. AWI now forecasts a consolidated net profit of ¥14,200 million (an increase of ¥200 million) on consolidated net sales of ¥425,000 million (¥10,000 million up), with a consolidated operating income of ¥25,500 million (¥500 million up) and consolidated ordinary income of ¥27,500 million (¥500 million up.)

2. Analysis of financial standing

Net cash provided by operating activities for the term under review totaled ¥14,202 million, a year-on-year decrease of ¥3,195 million. The increase in pre-tax net earnings for the term was offset by higher corporate tax payments, an increase in inventory assets, and the absence of the temporary surplus in settlement funds that existed last year due to the fact that the final day of the interim term fell on a holiday.

Investing activities produced an outward cash flow of ¥22,736 million, an increase of ¥14,295 million over the previous year due primarily to capital spending in the industrial gas business sector, outlays for the acquisition of fixed assets accompanying the construction of the new Research & Development Institute, and an increase in investment outlays on negotiable instruments. As a result, free cash flow was a negative ¥8,534 million, a year-on-year decrease of ¥17,490 million.

Financing activities produced a cash inflow of ¥6,231 million, ¥14,011 million more than the same period last year and the result of borrowing funds for investment purposes.

As a result of the above activities, cash and cash equivalents at the end of the fiscal year stood at ¥14,786 million, a year-on-year decrease of ¥2,059 million.

Trends in cash flow indices

	Full-year FY03	Full-year FY04	Full-year FY05	Full-year FY06	1H FY07
Shareholders' equity ratio (%)	29.1	28.1	29.4	33.2	36.1
Ratio of market value to assets (%)	40.8	43.9	61.2	74.9	67.2
Debt repayment coverage (years)	3.5	4.4	4.4	3.0	—
Interest coverage ratio	24.2	20.3	22.4	30.0	—

Notes

Definitions:

- *Shareholders' equity ratio: Shareholders' equity / total assets*
- *Ratio of market value to assets: Total market value of shares / total assets*
- *Debt repayment coverage: Interest bearing liabilities / cash flow from operating activities*
- *Interest coverage ratio: Cash flow from operating activities / interest payments*

1. *All figures are calculated based on data from the consolidated financial statements.*
2. *The total market value of shares is the closing market share price at the end of the period multiplied by the number of outstanding shares (excluding treasury shares) at the end of the period.*
3. *The figure for cash flow from operating activities is taken from the consolidated financial statements. Interest bearing liabilities indicate all liabilities listed on the consolidated balance sheet for which interest is paid. The amount of interest payments listed in the consolidated cash flow statement is used for the interest payments above.*

(3) Policy on distribution of profits / Dividends for 1H FY07

AWI regards returning corporate profits to shareholders to be one of its top management priorities. Based on the business climate, the corporate financial position and retained earnings and in pursuit of its declared target of returning 30% of consolidated profits to shareholders, the Company intends to continue paying stable dividends that reflect its performance and take into account future plans and initiatives.

AWI has decided to increase the first-half dividend by ¥1 over that paid last year to ¥10 per common share. AWI expects to pay a second-half dividend of ¥10 per common share, as forecast, and forecasts a full-year dividend of ¥20.

3. Management policies

(1) Basic management policy

The Air Water Group adopts the following management policy: "To concentrate group companies' knowledge and expertise on the creation and development of businesses related to air, water, and the planet in general in the spirit of entrepreneurship that contributes to society". This basic policy will guide the growth and advancement of AWI (Air Water Inc.) and the Air Water Group as a revitalized organization entering a new stage of development as a leader in the industrial gas sector.

(2) Mid-term management strategy and targets

AWI launched our new mid-term business plan "Renovation 330" in April 2007. Making "Transformation into a high-profit company" its key phrase, the new mid-term plan places primary emphasis on strengthening earning power and profitability through a process of restructuring in all segments of AWI's business as it seeks to grow into "the company with commanding presence in industrial gas industry". By fiscal 2009, the final year of the new plan, AWI aims for a net income of ¥17,000 million on net sales of ¥470,000 million, ordinary income of ¥ 33,000 million, with an ordinary income ratio of 7 percent, ROE of over 12 percent and equity ratio of 40 percent.

Under Renovation 330 AWI has drawn up and started to implement the following three basic strategies.

1. Reengineer businesses and boost earning power

AWI will focus more management resources on its growth fields. Over the 3-year period covered by Renovation 330 AWI plans to invest a total of ¥100,000 million, spending ¥70,000 million on new plant and equipment and ¥30,000 million on its M&A. M&A activities will be aimed at strengthening AWI's operations in information and electronics materials, fine chemicals and medical areas and also at expanding AWI's regional business activities through acquisitions and alliances with dealers in its industrial and medical business segments and through the acquisition of LPG trade rights. AWI will seek to maximize the benefits stemming from the M&A through a process of integrating the operations of companies acquired through M&A activities with its existing companies and of reorganizing its corporate structure.

Creation of technology-driven business and business renovation

In October 2007 AWI completed construction of its new Research & Development Institute in Matsumoto City, Nagano Prefecture. This new facility will serve as a central hub for the development of cutting-edge technologies and as a symbol of AWI's drive to transform itself into a technology-driven company. The R&D Institute will take AWI's integration of gas and chemical technology resources and by combining them and exploiting synergies between them will work to create new technology-driven business models that will allow AWI to create new markets in the fields of electronics, medicine and fine chemicals.

2. Reinforce financial position

AWI will work to boost total net assets and increase equity ratio by improving profitability to allow it to build up our internal reserves. AWI will also implement initiatives designed to stabilize its financial standing, aiming for a debt/equity ratio of 0.6 by the end of Renovation 330.