May 13, 2016

Consolidated Financial Results (Japanese Accounting Standards)
For the Fiscal Year Ended March 31, 2016

AIR WATER INC.
Head Office: 12-8, Minami semba 2-chome,
Chuo-ku, Osaka, Japan

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

1. Results for the year Ended March 31, 2016

(1) Operating Results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year Ended March 31, 2016	660,622	0.0	39,524	9.4	35,075	-8.1	20,139	-2.7
Year Ended March 31, 2015	660,541	3.0	36,126	3.0	38,159	5.2	20,702	7.7

Note: Comprehensive income: As of March 31, 2016: 16,201 millions of yen (-45.5%)
As of March 31, 2015: 29,745 millions of yen (18.2%)

	Net Income per Share	Fully Diluted Net Income per Share	Net Income to Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year Ended March 31, 2016	102.73	102.49	8.7	6.2	6.0
Year Ended March 31, 2015	105.75	105.51	9.6	7.1	5.5

Reference: Equity in net income of non-consolidated subsidiaries and affiliates: Year ended March 31, 2016; -5,439 millions of yen
Year ended March 31, 2015; 881 millions of yen

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	575,832	256,179	40.8	1,196.92
As of March 31, 2015	547,642	240,154	41.3	1,155.80

Reference: As of March 31, 2016: 234,725 millions of yen, as of March 31, 2015: 226,374 millions of yen

(3) Summary of Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year Ended March 31, 2016	43,512	-40,647	-8,115	23,595
Year Ended March 31, 2015	51,071	-35,483	-7,940	28,763

2. Dividends

	Dividend per Share(Yen)			Total Dividend Payment (Millions of yen)	Pay-out Ratio (Consolidated)	Dividend to Net Assets (Consolidated)
	Interim	Year-End	Annual			
Year Ended March 31, 2015	13.00	15.00	28.00	5,491	26.5%	2.6%
Year Ended March 31, 2016	14.00	14.00	28.00	5,491	27.3%	2.4%
Year Ended March 31, 2017 (Forecasts)	14.00	14.00	28.00	—	23.9%	—

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2017

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six month ending September 30, 2016	328,000	1.5	17,000	3.4	16,500	-3.3	8,600	-32.2	43.85
Fiscal year ending March 31, 2017	700,000	6.0	42,500	7.5	42,000	19.7	23,000	14.2	117.28

Other

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

Newly included: 1 company (Company name) Kawasaki Kasei Chemicals Ltd.

(2) Changes in accounting policies, changes in accounting estimates and restatement

a. Changes in accounting policies arising from revisions of accounting standard:	Yes
b. Changes in accounting policies other than (a):	None
c. Changes in accounting estimates:	None
d. Restatement:	None

(3) Number of shares outstanding (ordinary shares)

a. Total number of shares outstanding (including treasury shares)	
As of March 31, 2016:	198,705,057 shares
As of March 31, 2015:	198,705,057 shares
b. Number of shares of treasury shares	
As of March 31, 2016:	2,596,449 shares
As of March 31, 2015:	2,845,090 shares
c. Average number of shares during the term	
Year ended March 31, 2016:	196,047,668 shares
Year ended March 31, 2015:	195,775,932 shares

* Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based on the Financial Instruments and Exchange Act. The audit procedure for consolidated financial statements based on the Financial Instruments and Exchange Act is in progress at the time of disclosure of this report.

* 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. For matters relating to the forecasts, please, refer to "3-(1) Analysis of operating results"

3. Analysis of operating results and financial standing

(1) Analysis of operating results

1) Operating results for the current period

In the business environment surrounding our corporate group, amid economic slowdown in emerging countries including China, the domestic economy was also significantly affected by it, resulted in lackluster capital investment by manufacturing companies, during the latter half of the period, which serve as one of the engines for restoring the economy. Also, the inventory of industrial materials remains at a high level, and a sense of stagnation in the overall economy has deepened.

In our industrial gas business under these circumstances, while the gas supply for blast furnace unexpectedly declined, the performance greatly improved due to the rapid increase in the acquisition of new customers and unwinding influence of rise in electric bill. Our medical business was able to achieve results exceeding those of the previous year in all of its five business pillars, one example of which was significant progress made by launching new products for home medical care services and strengthening coordination with major hospitals. In our energy business in which the conditions still remain challenging due to low prices of crude oil, we pushed thorough measures to promote expansion of sales volume. In our agriculture and food product business, we actively pursued merger and acquisitions and made progress in constructing a basis for strengthening and expanding our business and generating group synergy, notably by bringing a nationwide fruit and vegetable retail chain and intermediate wholesaler into our group. Moreover, our business groups that carry out our "Order Rodentia Style of Business," including our seawater business and logistics business, steadily implemented their respective growth strategies and made significant contributions to the whole company performances.

On the other hand, our chemical business fell into difficult straits, especially in our tar distillation business, due to deterioration in market conditions resulting from the fall in crude oil prices and the economic slowdown in China. Adding the impairment of Chinese subsidiaries recognized by companies accounted for by the equity method, the deterioration of investment gains and losses on equity method had a great impact on the ordinary income of the whole company.

As a result, for the consolidated cumulative current period, sales were ¥660,622 million (100.0% that of the corresponding period of the previous year), operating income was ¥39,524 million (109.4%), ordinary income was ¥35,075 million (91.9%) and profit attributable to owners of parent was ¥20,139 million (97.3%).

2) Consolidated results by segment for this period

(Millions of yen)

	Net Sales		Ordinary income	
	Year Ended March 31, 2016	% compared with the corresponding period of the previous year	Year Ended March 31, 2016	% compared with the corresponding period of the previous year
Industrial Gas Business	194,787	95.9%	14,215	111.9%
Chemical Business	86,994	84.8%	-4,867	—
Medical Business	124,540	105.3%	8,668	113.6%
Energy Business	46,356	87.8%	3,597	113.3%
Agriculture and Food Products Business	91,551	128.2%	3,016	143.3%
Other Businesses	116,392	103.7%	9,086	114.1%
(adjustment)	—	—	1,358	66.5%
Total	660,622	100.0%	35,075	91.9%

(Note) The adjustments to ordinary income are profit or loss 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>

While industrial gas related production in the chemical, shipbuilding, and electronic component industries etc. continued to be strong, the production decreased in the steel industry, which is our largest customer, and in the automobile industry, which has spillover effects on the whole manufacturing industry, leading our customers achieving either strong or weak recovery of their operation capacities. Under these circumstances, we strove to provide complete gas total services, which are the business model of industrial gas business, to acquire new customers by accurately anticipating our customers' rare timing for capital investment and building small on-site plants. We also promoted the enhancement of local business, such as promoting VSU strategies and improving filling stations that operate simultaneously with VSU.

Although the rise in electricity prices, which accounts for roughly 60% of the manufacturing cost of industrial gas, has slowed due to decline in fuel cost adjustment, the prices further rose in Hokkaido and Kansai, in response to which continued efforts were made for each region and customer to achieve appropriate industrial gas prices.

As a result of the above, sales of this segment were ¥194,787 million (95.9% that of the corresponding period of the previous year) and ordinary income was ¥14,215 million (111.9%).

<Chemical Business>

In our chemical businesses, our coal chemicals business was confronted with a decline in the sales price of crude benzene, which is our mainstay basic chemical product, resulting from the fall in crude oil prices. Our tar distillation business conducted by C-Chem Co., Ltd., which is accounted for by the equity method, was adversely affected and fell into extremely difficult straits because of the deterioration in global demand and sluggish market conditions as well as the recording of impairment losses on equity shares by our subsidiaries in China. Starting with the first quarter consolidated accounting period, Kawasaki Kasei Chemicals Ltd. was included in our consolidated business results.

As a result of the above, sales of this segment were ¥86,994 million (84.8% that of the corresponding period of the previous year) and ordinary income was ¥-4,867 million (the previous period marked the ordinary income of ¥2,535 million).

<Medical Business>

In our medical business, our hospital facility construction business focused its efforts on facilities for advanced medical treatment to increase the number of orders. As to medical gas, volume sales of oxygen increased through the acquisition of new client hospitals. For our medical treatment services, our contract sterilization service for hospitals expanded due to the acquisition of new orders. With regard to SPD, the business structure has been strengthened by taking measures such as reviewing costs. In our medical equipment business, sales and rental of our new-born, infant and perinatal-care devices in which we particularly excels increased, and nitric oxide inhalation therapy was expanded as applicable cases extended, resulting in steadily progress. Our home medical care services promoted changes in its business structure, and sales of our home oxygen concentrator which was launched in January 2015 continued to rise steadily.

As a result of the above, sales of this segment were ¥124,540 million (105.3% that of the corresponding period of the previous year) and ordinary income was ¥8,668 million (113.6%).

<Energy Business>

In our energy business, despite the continued fall in import prices of LP gas, we viewed the rise of relative competitiveness as a good opportunity to propose energy plans, and pursued new acquisitions and measures for increasing sales in all types of customers by promoting fuel conversion for major customers and introduction of our hybrid hot water supply and heating system for detached houses. Also, in order to acquire new general customers we also launched a new service to offer e-money (“WAON” points) to customers depending on the amount of LP gas used. Sales of kerosene continued to grow as a whole due to an improved increase in customers as a result of promotions to strengthen sales of kerosene to LP gas customers as a supplementary service for them, measures to facilitate procurement of kerosene, and meticulous management of sales.

In these ways, our energy business has gained capacity for responding to changing business environment by committing to strengthen sales through our service capabilities and new services and by striving to increase sales volume.

As a result of the above, sales of this segment were ¥46,356 million (87.8% that of the corresponding period of the previous year) and ordinary income was ¥3,597 million (113.3%).

<Agriculture and Food Products Business>

As to our agriculture and food products business, our ham/delicatessen and frozen food businesses remained robust as a result of launch of new products using European vegetables and expansion of sales of frozen cakes using choice selection of ingredients, which absorbed the impact of fluctuation of exchange rates and increases in raw materials costs.

In the fruit and vegetable distribution of our farm products and food processing business, our farm products was satisfactory as yields in Hokkaido, one of the major production areas, were good and sales of our main products such as potatoes and carrots also remained strong. In our food processing business, sales volume increased due to secure procurement of food raw materials and effective processing production. With the addition of Kyusyuya Corporation, a fruit and vegetable retailer, to our consolidated business results starting with the second quarter consolidated accounting period, and Takaya Shoten Co., Ltd., a market intermediate wholesaler, to our consolidated business results starting with the third quarter consolidated accounting period, foundation of our value chain extending from the sectors of cultivation and procurement to processing and sales was reinforced.

On the other hand, our beverage business fell into difficult straits, due to the slow recovery of our outsourcing business, but achieved the performance level close to that of the previous year.

As a result of the above, sales of this segment were ¥91,551 million (128.2% that of the corresponding period of the previous year) and ordinary income was ¥3,016 million (143.3%).

<Other Businesses>

In our seawater business, one of our other businesses, sales of road snow melting salt produced by our salt manufacturing division declined due to an unusually warm winter. On the other hand, a wood-based biomass electricity generator built at the Ako Plant started its operation, and electric generation and supply of heat energy contributed to the business performance. Our magnesia business performed satisfactorily thanks to an increase in sales of magnesia for high-grade electromagnetic steel plates. Also, sales volume of magnesia for heaters produced at the Dalian factory in China for Chinese and overseas markets grew satisfactorily.

Our logistics business performed strongly as a result of the growth in our food logistics business and increase in shipments of our food products, etc. and also as a result of the reduced cost due to the fall in light oil prices.

As a result of the above, sales of this segment were ¥116,392 million (103.7% that of the corresponding period of the previous year) and ordinary income was ¥9,086 million (114.1%).

3) Outlook for the next fiscal year

With regard to the outlook for the future, as China's overproductions continues, we expect that it will take a little while longer until a sense of excessive domestic inventories in domestic manufacturing industries, especially in steel industry, will be eliminated. The slowing economy in emerging countries and the present strong yen cast a shadow over the future economic outlook, particularly over export-oriented companies. On the other hand, although there is a sense of caution that domestic economy recovery might slow down, capital investment, which is a driver of economic recovery, is expected to show continuous recovery, though gradual, backed by investment for facility replacement due to the record high corporate earnings and the active investment for the Tokyo Olympics.

Based on these forecasts, our company will establish a strong income base by promoting each segment business such as industrial gas business to have its regional companies pursue their thorough regional strategies, and will also strive to create businesses specific to these regions and create synergies among these businesses. We will also aim at strengthening our existing businesses as well as creating new businesses, accelerating Air Water style mergers & acquisitions focusing on group synergies. Moreover, as to promotion of overseas businesses, the engineering hub acquired through adding TAYLOR-WHARTON MALAYSIA SDN.BHD. into our group will serve as a strategic hub for overseas operations, and we will pursue overseas expansions of cost-competitive industrial gas and overseas promotion of new engineering businesses, making use of our gas-related technology we have developed and the engineering technology owned by TAYLOR-WHARTON MALAYSIA SDN.BHD.

This is the first year of our mid-term business plan “NEXT-2020 Ver.3.” We will create a business structure that can tolerate the changes in the business environment by more strongly promoting our All Weather Management System and Order Rodentia Style of Business, and will dynamically and aggressively challenge more than ever to look at the Vision for 1-trillion Company 2020, which is the next step of our mid-term business plan.

Based on the foregoing, with respect to the full-year results forecast, we forecast sales of ¥700,000 million (106.0% that of the previous year), operating income of ¥42,500 million (107.5%), ordinary income of ¥42,000 million (119.7%) and net income attributable to shareholders of parent company of ¥23,000 million (114.2%) for the fiscal year ending March 31, 2017.

(2) Explanation of financial position

1) Assets, liabilities and net assets (on consolidated basis)

Total assets at the end of the consolidated fiscal year under review stood at ¥575,832 million, an increase of ¥28,189 million compared to the end of the previous consolidated fiscal year due primarily to an increase in tangible fixed assets. Liabilities stood at ¥319,652 million, an increase of ¥12,164 million compared to the end of the previous consolidated fiscal year due mainly to an increase in borrowings. Net assets stood at ¥256,179 million, an increase of ¥16,025 million compared to the end of the previous consolidated fiscal year, mainly due to an increase in accumulation of net income attributable to shareholders of parent company and an increase in non-controlling interests.

Net assets per share grew from ¥1,155.80 at the end of the previous consolidated fiscal year to ¥1,196.92, and the equity ratio changed from 41.3 % at the end of the previous consolidated fiscal year to 40.8 %.

2) Cash flow (on consolidated basis)

Cash flow from operating activities was an inflow of ¥43,512 million after deducting payments including corporate taxes from net income before taxes and other adjustments for the term and allowances for depreciation, which was a decrease of ¥7,559 million compared to that in the previous consolidated fiscal year.

Cash flow from investing activities was an outflow of ¥40,647 million, an increase in expenditures of ¥5,163 million compared to the previous consolidated fiscal year, due primarily to an increase in expenditures resulting from the acquisition of tangible fixed assets. As a result, free cash flow decreased by ¥12,723 million from the previous consolidated fiscal year to ¥2,864 million.

Cash flow from financial activities was an outflow of ¥8,115 million, which was an increase of ¥174 million from the previous consolidated fiscal year due mainly to an outflow by additional acquisition of subsidiary company shares, despite procurement of working capital.

As a result of the foregoing, deposits of cash and cash equivalents at the end of the consolidated fiscal year stood at ¥23,595 million, a decrease of ¥5,167 million compared to the end of the previous consolidated fiscal year.

The following table shows the trend in cash flow indicators for our corporate group.

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio	39.6	38.3	38.5	41.3	40.8
Equity ratio based on market value	48.4	54.6	52.9	76.8	56.7
Interest-bearing debt to cash flow ratio	3.0	4.7	3.2	3.0	3.6
Interest coverage ratio	23.3	18.7	30.7	35.2	31.4

(Note) Equity ratio: Shareholders' equity/total assets
Equity ratio based on market value: market capitalization/total assets
Ratio of interest-bearing debt against cash flow: interest-bearing debt/cash flow
Interest coverage ratio: cash flow/interest payment

1. Each indicator is calculated using the consolidated financial data.
2. Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (excluding treasury shares).
3. Cash flows are the cash flows from operating activities as indicated in the consolidated cash flow statement. Interest-bearing debt includes all liabilities, reported on the consolidated balance sheet, on which interest payments are being made. Interest payment is the payment of interest as indicated in the consolidated cash flow statement.

(3) Explanation of future prediction information such as forecast of consolidated operating results

While our company works on reinforcing the management base to continuously improve our corporate value, we also place a high priority on returning profits to our shareholders as one of the most important tasks for businesses. For this reason, we make it a policy to maintain a stable dividend in line with business results aiming at a dividend payout ratio of 30% of our consolidate net profit for this fiscal year while taking into consideration sufficient retained earnings necessary for strategic investments for mid- and long-term growth.

For fiscal year 2016, a year-end dividend is ¥14 per share, as originally expected. As a result, a dividend for the current year is ¥28 per year, including the interim dividend of ¥14, as originally expected.

For fiscal year 2017, we plan to pay a dividend of ¥28 per year, which is the same amount as fiscal year 2016, the sum of interim and year-end dividends of ¥14 per share each.

(4) Note relating to the assumption as a going concern: None

4. Management guidelines

(1) Basic management policy

The Air Water Group adopts the following management policy: “We dedicate ourselves and our resources backed by the entrepreneurial spirit and pride in creation and development of business linking air, water, earth and humans.”

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-range management strategy and targets of our company

Our company has implemented the three-year mid-term management plan, “NEXT-2020 Ver.2,” which started in fiscal year 2013.

This plan stands as the second step for the long-term growth vision “Vision for a 1 trillion yen Company by FY2020” which started in 2010, and for industrial-related businesses we have strived to improve profitability, and for personnel-related businesses we have actively developed businesses focusing on our merger & acquisition strategy to pursue high growth. As a result, the profit targets for industrial gas business and medical business surpassed original expectations, and although energy business and agriculture and food products business were slightly short for their respective goals, each business showed strong performance, except for chemical business which was quite affected by investment loss from the equity method.

For fiscal year 2017, a new mid-term management plan “NEXT-2020 Ver.3” will be launched.

5. Basic Rationale for Selection of Accounting Standards

Our corporate group has been considering in details the adoption of IFRS (International Financial Reporting Standards) with the aims of improving international financial statement comparability in capital markets, improving the quality of group management and strengthening governance. We will appropriately evaluate the timing of the adoption, taking into account the domestic and international situations and the moves of companies in the same industry, while improving the system environment.