February 10, 2016

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

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 Nine Months Ended December 31, 2015

(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	%
Nine months ended December 31, 2015	491,125	0.4	26,628	7.1	27,217	1.3	18,561	4.2
Nine months ended December 31, 2014	489,234	4.7	24,855	1.0	26,872	3.3	17,813	18.3

Note: Comprehensive income: Nine months ended December 31, 2015: 17,842 millions of yen (-22.3 %)
Nine months ended December 31, 2014: 22,955 millions of yen (1.2 %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2015	94.69	94.47
Nine months ended December 31, 2014	91.00	90.80

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2015	578,514	257,890	41.0
As of March 31, 2015	547,642	240,154	41.3

Reference: Equity as of December 31, 2015: 237,160 millions of yen, as of March 31, 2015: 226,374 millions of yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
The fiscal year ending March 31, 2015	—	13.00	—	15.00	28.00
The fiscal year ending March 31, 2016	—	14.00			
The fiscal year ending March 31, 2016 (Forecasts)			—	14.00	28.00

Note: Changes in forecast of dividends for the fiscal year ending March 31, 2016 from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2016

(% 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
The fiscal year ending March 31, 2016	700,000	6.0	40,000	10.7	42,000	10.1	23,000	11.1	117.32

Note: Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2016 from the latest disclosure: No

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) Application of specific accounting procedures for preparing the quarterly consolidated financial statements: Yes

(3) 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

(4) Number of shares outstanding (ordinary shares)

a. Total number of shares outstanding (including treasury shares)	
As of December 31, 2015:	198,705,057 shares
As of March 31, 2015:	198,705,057 shares
b. Number of shares of treasury shares	
As of December 31, 2015:	2,607,988 shares
As of March 31, 2015:	2,845,090 shares
c. Average number of shares during the term	
First Nine months of the fiscal year ending March 31, 2016:	196,028,512 shares
First Nine months of the fiscal year ending March 31, 2015:	195,749,478 shares

* Indication of quarterly review procedure implementation status

This financial highlight is exempt from quarterly review procedure based on the Financial Instruments and Exchange Act. The quarterly review procedure for quarterly consolidated financial statements based on the Financial Instruments and Exchange Act has been completed 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-(3) Explanation of future prediction information such as forecast of consolidated operating results”

3. Qualitative Information relating to Third Quarter Earnings

(1) Explanation of operating results

1) Operating results for the current period

In the business environment surrounding our corporate group, amid increasing signs of slowdown in the Chinese and other Asian economies, the weakness in production activity of domestic manufacturers has also become noticeable. The direction of the domestic economy has continued to waver, with lackluster growth in domestic demand as indicated for instance in decisions by manufacturing companies to put off capital investment, which is a barometer of recovery in the domestic economy.

Under these circumstances, there were production cutbacks by steel manufacturers which are our major customers, which contributed to a delay in recovery in the amount of gas supplied by our industrial gas business. Nevertheless, our industrial gas business drove the Company's overall performance upward by exhaustively cultivating new customers and continuing efforts to find the optimum pricing. In our medical business, steady progress was made in strengthening its five business pillars, one of which is our home medical care services for which we have focused our efforts on business reform and launching new products. Our energy business compensated for the lagging business environment by taking all possible measures to increase sales volume and customers, and so was able to achieve growth. Our agriculture and food product business made progress in constructing an integrated value chain that covers the field of production to retail business sectors, notably by bringing a nationwide fruit and vegetable retail chain into our group. Our business groups that carry out our "Order Rodentia Style of Business," including our seawater business and logistics business, also improved to exhibit strong performance as a whole.

On the other hand, our chemical business fell into extremely difficult straits, because the deterioration in market conditions resulting from the fall in crude oil prices was far greater than we anticipated.

As a result, for this year's third quarter consolidated cumulative period, sales were ¥491,125 million (100.4% that of the corresponding period of the previous year), operating income was ¥26,628 million (107.1%), ordinary income was ¥27,217 million (101.3%) and profit attributable to owners of parent was ¥18,561 million (104.2%).

2) Consolidated results by segment for this period

(Millions of yen)

	Net Sales		Ordinary income	
	Nine months ended December 31, 2015	% compared with the corresponding period of the previous year	Nine months ended December 31, 2015	% compared with the corresponding period of the previous year
Industrial Gas Business	144,180	96.7%	10,232	112.9%
Chemical Business	71,212	92.3%	273	15.8%
Medical Business	86,961	104.1%	4,804	108.6%
Energy Business	32,814	88.8%	1,829	105.9%
Agriculture and Food Products Business	69,995	125.0%	2,730	132.1%
Other Businesses	85,961	99.3%	6,187	104.1%
(adjustment)	—	—	1,159	—
Total	491,125	100.4%	27,217	101.3%

(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>

Industrial gas related production in the chemical, shipbuilding, and electronic component industries etc. continued to be strong. However, full-fledged recovery has been delayed in the steel industry, which is our largest customer, and in the automobile industry, which has a broad range of related industries. This difference in operating rate among individual customers resulted in a weaker than anticipated recovery in the amount of the industrial gas we supplied. Though many manufacturing companies put off capital investment which has been a driver of economic recovery, we strove to acquire new domestic customers by presenting them with investment opportunities precisely tailored to the limitations of their business situations.

Despite the downward trend in fuel cost adjustments, the rise in electricity prices, which accounts for roughly 60% of the manufacturing cost of industrial gas, continues to have an impact in Hokkaido and Kansai this fiscal year, in response to which continued efforts were made to achieve appropriate gas prices.

As a result of the above, sales of this segment were ¥144,180 million (96.7% that of the corresponding period of the previous year) and ordinary income was ¥10,232 million (112.9%).

<Chemical Business>

Our chemical businesses fell into extremely difficult straits, because 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, and because of a deeper-than-expected decline in our tar distillation business which was affected by the deterioration in global demand and sluggish market conditions. 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 ¥71,212 million (92.3% that of the corresponding period of the previous year) and ordinary income was ¥273 million (15.8%).

<Medical Business>

In our medical business, volume sales of medical oxygen steadily increased, due to the measures taken to increase sales through the acquisition of new client hospitals etc. Our hospital facility construction business focused its efforts on facilities for advanced medical treatment. Our medical treatment services continued to focus on structural reform to improve our operations, along with efforts to acquire new orders for our contract sterilization service. In our medical equipment business, sales of our new-born and infant ventilators improved to exhibit strong performance. Our home medical care services achieved growth in the number of rentals due to the new product effect of our home oxygen concentrator which was launched in January 2015.

As a result of the above, sales of this segment were ¥86,961 million (104.1% that of the corresponding period of the previous year) and ordinary income was ¥4,804 million (108.6%).

<Energy Business>

In our energy business, despite some remaining impact of the continued fall in crude oil prices on the LP gas inventory valuation, efforts were made to gain new major customers by promoting fuel conversion to LP gas for industrial use, and also to acquire new general consumer customers for LP gas by enhancements of our services, such as a launch of a customer-reward system that offers “WAON” points to customers depending on the amount of LP gas used and the expansion of sales of our hybrid hot water supply and heating system. Sales of kerosene became stronger as a whole despite the continued impact of warm weather even after entering the peak demand period, due to an 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 been transforming its business structure to be robust against changes, compensating for changes in business environment and the impact of climate with increases in sales volume that are achieved through the implementation of distinctive measures.

As a result of the above, sales of this segment were ¥32,814 million (88.8% that of the corresponding period of the previous year) and ordinary income was ¥1,829 million (105.9%).

<Agriculture and Food Products Business>

In the fruit and vegetable distribution of our farm products and food processing business, shipments of kabocha pumpkins, carrots, daikon radishes, etc. grew to high levels. Our food processing business grew satisfactorily due to an increase in volume through greater procurement of food raw materials and improved efficiency in 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, further enhancement of our value chain extending from the sectors of cultivation and procurement to processing and sales was achieved.

On the other hand, our ham/delicatessen, frozen food, and beverage businesses strove to expand sales in a market environment that continued to be unfavorable due to the negative impact of yen depreciation and rises in raw materials costs.

As a result of the above, sales of this segment were ¥69,995 million (125.0% that of the corresponding period of the previous year) and ordinary income was ¥2,730 million (132.1%).

<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. However, our magnesia business performed satisfactorily thanks to an increase in sales of magnesia for high-grade electromagnetic steel plates and magnesia for heaters.

Our logistics business performed strongly, due to growth in our food logistics business and in the volume of our farm product and animal feed freight shipments, and also due to the positive impact of the fall in diesel fuel prices.

As a result of the above, sales of this segment were ¥85,961 million (99.3% that of the corresponding period of the previous year) and ordinary income was ¥6,187 million (104.1%).

(2) Explanation of financial position

Total assets at the end of the current third quarter consolidated accounting period stood at ¥578,514 million, an increase of ¥30,871 million compared to the end of the previous consolidated fiscal year, due primarily to an increase in tangible fixed assets. Liabilities stood at ¥320,623 million, an increase of ¥13,135 million compared to the end of the previous consolidated fiscal year, due primarily to an increase in borrowings. Net assets stood at ¥257,890 million, an increase of ¥17,735 million compared to the end of the previous consolidated fiscal year, due primarily to accumulation of the profit attributable to owners of parent and an increase in non-controlling interests.

Net assets per share grew to ¥1,209.40, up from ¥1,155.80 at the end of the previous consolidated accounting fiscal year, and equity ratio changed to 41.0 % from 41.3% in the previous consolidated fiscal year.

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

With regards to the forecast for the full-year results, it seems that companies' perception that there is excess production and inventory will take a little longer to dissipate, given the current international prices of Asian products that remain low in a broad range of sectors, resulting from China's overproduction and expansion of exports, which has had a significant impact on the production of domestic basic materials industries. There had been expectations that capital investment by domestic manufacturers would pick up in light of the trend towards a return of manufacturing bases to Japan as the yen continues to stay weak. However, because the direction of the domestic economy continues to waver, domestic manufacturing industries are still cautious about making investments.

Under these circumstances, in light of the continued sharp fall in crude oil prices with no sign of leveling out in the near future, our company predicts that the impact of this situation on our chemical businesses, particularly on our tar distillation business, will be extremely significant. In order to minimize this negative impact on our chemical business, all of our business sectors—from industrial gas to medical and energy to agriculture and food products, as well as to our business groups that make up our "Order Rodentia"—have been making every possible effort to offset those negative effects, e.g. through the creation of new businesses and M&A to expand the corporate Group, as well as reduction in costs.

The full-year business forecasts for the fiscal year ending March 2016 are unchanged from the business forecasts announced on May 14, 2015.

4. Matters Relating to Summary Information (Other)

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

In the first quarter consolidated accounting period, Kawasaki Kasei Chemicals Ltd. (hereinafter “Kawasaki”) became consolidated subsidiary through acquisition of their stocks with takeover bid.

Kawasaki is deemed to be our specified subsidiary because the amount of their capital meets 10% or more of that of ours.

(2) Application of specific accounting procedures for preparing the quarterly consolidated financial statements

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 third quarter under review, and next by multiplying the quarterly net income before income taxes and minority interests by such estimated effective tax rate.

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

(Application of Accounting Standard for Business Combinations)

ASBJ Statement No. 21, revised Accounting Standard for Business Combinations, (released on September 13, 2013, hereinafter the “Accounting Standard for Business Combinations”), ASBJ Statement No. 22, revised Accounting Standard for Consolidated Financial Statements (released on September 13, 2013, hereinafter the “Consolidated Accounting Standard”), ASBJ Statement No. 7, revised Accounting Standard for Business Divestitures (released on September 13, 2013, hereinafter the “Accounting Standard for Business Divestitures”) and others have been applied effective from the first quarter of the fiscal year ending March 31, 2016. As a result, any change in a parent’s ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as Capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of the first quarter, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination, are reflected in the quarterly consolidated financial statements for the period to which the date of that business combination occurs. In addition, the presentation method of Net income was amended as well as “Minority interests” to “Non-controlling interests.” To reflect these changes in presentation, reclassifications have been made to the consolidated financial statements for the prior third quarter and the prior fiscal year.

The aforementioned accounting standards are adopted as of the beginning of the first quarter of the fiscal year ending March 31, 2016 and thereafter, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

The effect of this change on segment information and per share information was immaterial and the record of this effect was omitted.