August 10, 2016

Consolidated Financial Results (Japanese Accounting Standards)
For the First Quarter of the March 31,2017 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 Three Months Ended June 30, 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	%
Three months ended June 30, 2016	152,923	-0.9	8,672	12.6	8,449	2.0	5,327	-30.2
Three months ended June 30, 2015	154,260	-1.8	7,698	1.1	8,282	-1.7	7,634	36.4

Note: Comprehensive income: Three months ended June 30, 2016: 4,031 millions of yen (-55.3 %)
Three months ended June 30, 2015: 9,025 millions of yen (34.7 %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended June 30, 2016	27.27	27.20
Three months ended June 30, 2015	38.98	38.89

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	555,760	255,772	42.2
As of March 31, 2016	575,832	256,179	40.8

Reference: Equity as of June 30, 2016: 234,392 millions of yen, as of March 31, 2016: 234,725 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, 2016	—	14.00	—	14.00	28.00
The fiscal year ending March 31, 2017	—				
The fiscal year ending March 31, 2017 (Forecasts)		14.00	—	14.00	28.00

Note: Changes in forecast of dividends for the fiscal year ending March 31, 2017 from the latest disclosure: No

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
The second quarter (cumulative)	328,000	1.5	17,000	3.4	16,500	-3.3	8,600	-32.2	44.09
The fiscal year	700,000	6.0	42,500	7.5	42,000	19.7	23,000	14.2	118.01

Note: Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2017 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): No

(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 June 30, 2016:	198,705,057 shares
As of March 31, 2016:	198,705,057 shares
b. Number of shares of treasury shares	
As of June 30, 2016:	3,969,243 shares
As of March 31, 2016:	2,596,449 shares
c. Average number of shares during the term	
First Three months of the fiscal year ending March 31, 2017:	195,371,798 shares
First Three months of the fiscal year ending March 31, 2016:	195,885,475 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 "4-(3) Explanation of future prediction information such as forecast of consolidated operating results"

4. Qualitative Information relating to First Quarter Earnings

(1) Explanation of operating results

1) Operating results for the current period

The business environment surrounding our corporate group had been expected to allow domestic manufacturers to enter a recovery phase after the start of the new year, but it turns out that improvement in production activities of the domestic manufacturing industry overall remained sluggish, due to the saturation in global demand for smartphones, coupled with the impact of the shutdown of operations of some manufacturers of automobiles etc. due to the Kumamoto earthquake. Also, the rapid yen appreciation increased uncertainty over the future and made companies cautious about investment, resulting in a lackluster start of the year compared to that in the previous fiscal year.

Under these circumstances, there were differences in production levels among customers, but signs began to emerge of a bottoming out in our industrial gas business which had been shrinking each year, particularly in our mainstay operation, on-site gas supply for blast furnaces. The results of the acquisition of new customers were apparent in our gas supply volume, contributing to our industrial gas business that improved to exhibit strength as a whole. The rest of our businesses—including our agriculture and food product businesses that are promoting their strengthening and expansion through aggressive M&As, our medical business that aims for high growth in its five business pillars, and our energy business that firmly maintains growth through increases in quantity—all are steadily implementing their respective growth strategies and have found ways to achieve their business growth targets.

On the other hand, our chemical business continued to struggle due to deteriorating market conditions resulting from the fall in crude oil price which has had a strong impact starting from the third quarter of the last year and due to the impact of the economic growth slowdown in China.

As a result, for this year's first quarter consolidated cumulative period, sales were ¥152,923 million (99.1% that of the corresponding period of the previous year), operating income was ¥8,672million (112.6%), ordinary income was ¥8,449 million (102.0%) and profit attributable to owners of parent was ¥5,327 million (69.8%).

2) Consolidated results by segment for this period

(Millions of yen)

	Net Sales		Ordinary income / loss	
	Three months ended June 30, 2016	% compared with the corresponding period of the previous year	Three months ended June 30, 2016	% compared with the corresponding period of the previous year
Industrial Gas Business	45,504	96.7%	3,674	120.0%
Chemical Business	16,572	76.1%	-690	—
Medical Business	25,736	93.9%	1,108	100.9%
Energy Business	9,064	87.7%	680	104.9%
Agriculture and Food Products Business	26,815	134.0%	1,095	134.4%
Other Businesses	29,229	105.7%	2,166	104.0%
(adjustment)	—	—	413	125.4%
Total	152,923	99.1%	8,449	102.0%

(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>

In our industrial gas business, although the production level of each customer varies, production activities of our customers lacked vigor and remained unstable as signs of stagnation are evident in the field of electronics that had been a driving force of our business, and the automobiles industry in which there were greater expectations for recovery was affected by the Kumamoto earthquake. Under these circumstances, signs of a moderate pick-up have been observed in steel manufacturers, which are our largest customers, although the situation continues to be difficult due primarily to the overproduction in China. Also, our aggressive business development, such as efforts of our regional business companies across the country to generate demand and the acquisition of new customers for our smaller on-site plants, worked successfully and resulted in strong performance in the overall gas supply.

Although electricity prices that have significant impact on industrial gas manufacturing costs have been improved by lowering fuel cost adjustment unit prices, there are also issues of regional differences; therefore, we will make continued efforts to achieve appropriate industrial gas prices.

As a result of the above, sales of this segment were ¥45,504 million (96.7% that of the corresponding period of the previous year) and ordinary income was ¥3,674 million (120.0%).

<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 appreciation of the yen and fall in crude oil prices. Kawasaki Kasei Chemicals Ltd. saw a drop in the sales price of its general-purpose chemicals and a decline in sales, including the sales of quinone-based products. Our tar distillation business faced a continued global weakening in demand and downturn of markets, particularly for needle coke. Our chemical business as a whole fell into difficult straits, but remained within the range of our initial forecast.

As a result of the above, sales of this segment were ¥16,572 million (76.1% that of the corresponding period of the previous year) and ordinary loss was ¥690 million (the previous period marked the ordinary income of ¥243 million).

<Medical Business>

Our hospital facility construction business implemented strategic measures to win orders with focus placed on the field of advanced medical treatment and concentrated its efforts on facilities including large-scale hospitals. Our medical oxygen business attained the same level of sales volume as in the previous year. Our medical treatment services strengthened business through distinctive sales strategies, including the promotion of a package proposal that offers both SPD and contract sterilization services. Our home medical care services saw an increase in rentals of our home oxygen concentrator. Use of our medical treatment devices grew thanks to the increase in cases to which nitric oxide inhalation therapy is applicable.

Misawa Medical Industry Co., Ltd., a specialized needle manufacturer, has been newly included in our consolidated business results starting with the first quarter of the consolidated accounting period.

As a result of the above, sales of this segment were ¥25,736 million (93.9% that of the corresponding period of the previous year) and ordinary income was ¥1,108 million (100.9%).

<Energy Business>

In the absence of a sense of stability, with import prices fluctuating at a low level, our LP gas business was left in a position that requires difficult business maneuvering with an eye to the competition with different types of energy. Under such circumstances, we promoted fuel shift to LP gas to our major customers taking advantage of its environmental and cost-saving benefits. As to sales to households, we provided services that encompass both soft and hard aspects to expand our customer base by proposing energy-saving equipment and launching a new service to offer e-money to customers. These led to a steady increase in both sales volume and customers compared with the same period of the previous year.

As a result of the above, sales of this segment were ¥9,064 million (87.7% that of the corresponding period of the previous year) and ordinary income was ¥680 million (104.9%).

<Agriculture and Food Products Business>

Our fruit and vegetable distribution business improved to satisfactory levels as a whole in terms of both sales volume and prices, although there is a concern over future impacts of the bad weather continuing in some areas on the production in this year. Our fruit and vegetable intermediate wholesale business also grew to good levels. Our beverage business performed strongly, reflecting expanded sales through the development of new customers, reduction of energy costs and others. In our ham/delicatessen and frozen food business, sales of our commercial use products struggled due to intensified price competition, but sales of our frozen cakes grew satisfactorily thanks to an increase in orders. Our fruit and vegetable retail business improved to exhibit satisfactory performance as a whole due to the contribution of consolidation effect on the business results and expansion of commercial products offered by groups.

Air Water Farm Co., Ltd., which continues to provide a stable production of fruit and vegetables using cultivation technology that has been fostered to date, has been newly included in our consolidated business results starting with the first quarter of the consolidated accounting period.

As a result of the above, sales of this segment were ¥26,815 million (134.0% that of the corresponding period of the previous year) and ordinary income was ¥1,095 million (134.4%).

<Other Businesses>

In our seawater business among other businesses, sales in our salt manufacturing business, particularly the sales of general-use salt, improved to exhibit strong performance. Our wood-based biomass electricity generation system built at the Ako Plant successfully started its operation and contributed to the business performance. Our magnesia business saw a decline in sales of magnesia for high-grade electromagnetic steel plates for overseas, due to inventory adjustments by customers.

Our logistics business grew to good levels, due to an increase in volume of general shipments, expansion of transport services through new contracts for food distribution and healthcare and ecological logistics and reduction in costs thanks to the fall in diesel oil prices.

As a result of the above, sales of this segment were ¥29,229 million (105.7% that of the corresponding period of the previous year) and ordinary income was ¥2,166 million (104.0%).

(2) Explanation of financial position

Total assets at the end of the current first quarter consolidated accounting period stood at ¥555,760 million, a decrease of ¥20,071 million compared to the end of the previous consolidated fiscal year, due primarily to decreases in notes and accounts receivable. Liabilities stood at ¥299,988 million, a decrease of ¥19,664 million compared to the end of the previous consolidated fiscal year, due primarily to decreases in notes and accounts payable. Net assets stood at ¥255,772 million, a decrease of ¥406 million compared to the end of the previous consolidated fiscal year, despite accumulation of quarterly net income attributable to owners of parent, due primarily to the purchase of treasury stock.

Net assets per share grew to ¥1,203.74, up from ¥1,196.92 in the previous consolidated fiscal year, and the equity ratio changed to 42.2% from 40.8% in the previous consolidated fiscal year.

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

The business forecasts for the second quarter consolidated cumulative period and for the full fiscal year are unchanged from the business forecasts announced on May 13, 2016.

5. 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)

None

(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 first 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

(Change in depreciation method)

Some of consolidated subsidiaries applied the 'Practical solution on a change in depreciation method due to Tax Reform 2016’ (ASBJ PITF No.32, June 17, 2016) and changed their depreciation method for structures and equipment attached to buildings from declining-balance method to straight-line method.

This application has little effect on the quarterly consolidated financial statements.

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

(4) Additional information

(Application of implementation guidance on recoverability of deferred tax assets)

The ‘Implementation guidance on recoverability of deferred tax assets’ (ASBJ Guidance No.26, March 28, 2016) was applied from the first quarter of FY2016.