February 14, 2019

Consolidated Financial Results (Japanese Accounting Standards)
For the Third Quarter of the March 31, 2019 Fiscal Year

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

1. Results for the Nine Months Ended December 31, 2018

(1) Consolidated operating results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2018	581,409	5.0	30,075	1.3	32,558	3.7	18,771	0.0
Nine months ended December 31, 2017	553,737	13.2	29,693	3.8	31,407	9.4	18,763	2.3

(Note) Comprehensive income: Nine months ended December 31, 2018: 17,574 million yen (-29.8 %)
Nine months ended December 31, 2017: 25,049 million yen (9.3 %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2018	96.00	95.83
Nine months ended December 31, 2017	96.14	95.97

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	742,899	303,106	38.6
As of March 31, 2018	693,101	294,644	40.1

(Reference) Shareholder’s equity: 286,871 million yen as of December 31, 2018, 277,954 million yen as of March 31, 2018

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 ended March 31, 2018	—	17.00	—	21.00	38.00
The fiscal year ending March 31, 2019	—	19.00	—		
The fiscal year ending March 31, 2019 (Forecasts)				19.00	38.00

(Note) Changes in forecast of dividends for the fiscal year ending March 31, 2019 from the latest disclosure: No

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2019

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
The fiscal year	820,000	8.8	48,500	14.4	50,000	11.9	28,000	11.2	143.17

(Note) Changes in forecast of consolidated operating results for the fiscal year ending March 31, 2019 from the latest disclosure: No

Notes

(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: Yes

(3) Changes in accounting policies, changes in accounting estimates and restatement
- a. Changes in accounting policies arising from revisions of accounting standard: None
- b. Changes in accounting policies other than (a): None
- c. Changes in accounting estimates: Yes
- d. Restatement: None

(4) Number of shares outstanding (ordinary shares)

a. Total number of shares outstanding (including treasury shares)
- As of December 31, 2018: 198,705,057 shares
- As of March 31, 2018: 198,705,057 shares

b. Number of shares of treasury shares
- As of December 31, 2018: 3,020,305 shares
- As of March 31, 2018: 3,320,506 shares

c. Average number of shares during the term
- First nine months of the fiscal year ending March 31, 2019: 195,527,890 shares
- First nine months of the fiscal year ending March 31, 2018: 195,167,058 shares

* This report is exempt from quarterly review procedure based on the Financial Instruments and Exchange Act.

* 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 Third Quarter Settlement of Accounts

(1) Explanation of Operating Results

1) Operating results for the current period

In the third quarter of the current consolidated cumulative period, the Japanese economy showed a gradual recovery due to improvements in corporate earnings and employment environment as well as recovery in private consumption. However, there is a growing sense of uncertainty around the future economic outlook due to such reasons as possible impact of the slowdown of the Chinese economy on the global economy caused by the trade friction between China and the US.

With regard to the results of our corporate group under these circumstances, our industrial gas business made steady growth despite the impact of the rise in the price of electricity backed by continued steady gas demand from a broad range of domestic manufacturing sectors including steel, automobile and electronics. Our chemical business also showed a steady improvement with progress made in improving profitability in the organic acid and functional chemicals sectors. In addition to our logistics business sector, which acquired new orders and optimized charges for the contracted shipping service, both our aerosol business and ‘information and electronics materials business’ that constitute our other business segment also performed steadily. These results not only offset the impacts of natural disasters that occurred successively in the first half and increased costs including labor and logistics costs, but also led to the improved performance of our entire corporate group.

As a result, for the current third quarter consolidated cumulative period, the group’s sales were ¥581,409 million (105.0% that of the corresponding period of the previous year), operating income was ¥30,075 million (101.3%), ordinary income was ¥32,558 million (103.7%) and a quarterly net income attributable to shareholders of the parent was ¥18,771 million (100.0%).

2) Consolidated results by segment for this period

（Million yen）

	Net Sales		Ordinary income	
	FY 2018.3Q	**YoY Growth**	**FY 2018.3Q**	**YoY Growth**
Industrial Gas Business	125,733	106.7%	11,873	102.8%
Chemical Business	56,879	112.1%	2,438	219.7%
Medical Business	124,703	103.6%	5,090	95.7%
Energy Business	35,858	105.6%	2,035	94.4%
Agriculture and Food Products Business	105,777	101.7%	4,723	101.0%
Logistics Business	36,135	106.3%	2,125	129.0%
Other Businesses	96,319	103.7%	6,366	104.6%
(Adjustment）	―	―	-2,094	―
Total	581,409	105.0%	32,558	103.7%

(Note) The adjustments to ordinary income consist costs incurred at the company’s headquarters division and R&D division as well as profit/loss from financial operations, which were not allocated to any reporting segment.

<Industrial Gas Business>

Our on-site gas supply service to blast furnaces progressed steadily in tandem with robust crude steel production and continued stable operations. Our on-site gas supply for electronics also increased steadily due to the continued high operation rate of clients' plants. Moreover, our gas supply service via tanker lorries and cylinders generally performed well backed by the steady demand from domestic manufacturing sectors such as automobile, chemical and construction-related industries, combined with the effect of the advancement in our production base strategy focused on the deployment of "VSU" plants, our high-efficient liquid oxygen and nitrogen generator. Sales of our carbon dioxide gas in which the supply and demand balance has been tight made a solid progress in sales volume thanks to the previous fiscal year's production capacity enhancement.

While sales of industrial gases showed a favorable increase as a whole, revenues were affected by an increase in electricity and logistics costs.

In our equipment and construction-related business, production of gas generators and distribution plants increased due to the expanded capital investment in the domestic manufacturing businesses. The new consolidation effects of Japan Pionics Co., Ltd. due to M&A taken place in the previous year also contributed to the growth.

As a result of the above, sales of this segment were ¥125,733 million (106.7% that of the corresponding period of the previous year), and ordinary income was ¥11,873 million (102.8%).

<Chemical Business>

Our coal chemicals business performed steadily due to the rise in unit price of coke oven gas refinery and sales volume of crude benzene, which is one of the basic chemical products.

In spite of the operational changes effect made to the production plants in China caused by tightening of environmental regulations, our fine chemicals business improved to exhibit significant profit recovery due to reconsideration of unprofitable products and thanks to sales increase and price revision progress in electronic materials. Kawasaki Kasei Chemicals Ltd., one of our group companies, performed strongly due to improvement in earnings as a result of efforts to lower manufacturing costs through reduction in fixed costs and streamlining of procurement and also because of recovery in market conditions in its major products.

As a result of the above, sales of this segment were ¥56,879 million (112.1% that of the corresponding period of the previous year), and ordinary income was ¥2,438 million (219.7%).

<Medical Business>

In the advanced medical treatment sector, our medical services performed steadily due to acquisition of new client hospitals and streamlining of material procurement in our SPD (supply, processing and distribution management for hospitals) services as well as progress made in ensuring proper contract prices in our sterilization services. Sales of our medical equipment showed steady performance due to an increase in sales of high-pressure oxygen treatment devices supported by the revision of medical service fees and an increase in the number of cases of nitric oxide inhalation therapy. Despite of the declined consumption, sales of our medical gas remained robust due to improvement in distribution efficiency. However, the facility construction recorded lower sales compared to the same period of previous year as hospitals have completed a round of new construction projects.

As for our everyday life medical treatment sector, which provides products and services closely connected to people's lives, our home medical care business and sanitary materials business fell into difficult straits. Our hypodermic needles business showed signs of recovery in orders but was impacted by the delay in the launch of the renewed production facility. Our dental care business resulted in positive sales of dental materials while cost such as shipping cost for mail-order service aimed at dentists increased.

As a result of the above, sales of this segment were ¥124,703 million (103.6% that of the corresponding period of the previous year), and ordinary income was ¥5,090 million (95.7%).

<Energy Business>

In our consumer LP gas, the number of customers increased from our effort to enhance the number of direct sales customers, but the sales volume dropped due to a reduction in demand as a result of the Hokkaido Eastern Iburi

Earthquake and the warm winter since October. In contrast, our industrial LP gas gained more sales and showed satisfactory performance through coordination with local business companies nationwide and promotion of fuel shift from heavy oil to LP gas.

Sales volume of our kerosene dropped significantly due to a decline in demand as a result of the earthquake and warm winter. However, the effects were kept to the minimum by improving procurement procedures and streamlining the delivery system.

In addition, sales of equipment and construction slowed down as events such as exhibitions and sales were cancelled due to the earthquake, and the costs related to delivery and security also increased resulting a decline in the profits year-on-year.

As a result of the above, sales of this segment were ¥35,858 million (105.6% that of the corresponding period of the previous year), and ordinary income was ¥2,035 million (94.4%).

<Agriculture and Food Products Business>

In our farm products business, sales of our fruit and vegetable retail sector increased as new stores opened but received adverse effect by the volatility of vegetable prices. Our wholesale and distributive processing sector continued to perform steadily by ensuring the procurement volume despite poor harvest of vegetables such as pumpkins produced in Hokkaido due to a lack of sunshine. Sales and maintenance service of our agricultural machines and tools remained strong.

Our food solutions business performed strongly in terms of profit thanks to an increase in sales of frozen vegetables such as broccoli and further improvement of production efficiency in our processed food sector in spite of sluggish sales in our sweets sector and the difficult market conditions that has continued in our ham and sausage sector from to the effects of the Hokkaido Eastern Iburi Earthquake.

Our beverage business performed steadily due to the expansion of contract manufacturing particularly in the manufacturing of ‘fruit and vegetable juices’ and tea beverages, and the progress in structural reform in home deliver water sector. This was achieved despite of the increased labor costs and energy costs in our manufacturing plants on top of rise in depreciation expenses due to capital spending.

As a result of the above, sales of this segment were ¥105,777 million (101.7% that of the corresponding period of the previous year), and ordinary income was ¥4,723 million (101.0%).

<Logistics Business>

Our transportation business performed steadily in tandem with increase in volume of shipments as a result of our efforts to increase new orders and improvement of balance between arrivals and departures of the chassis transport between Hokkaido and Honshu. The results of our 3PL (third party logistics) business, centering on food logistics, significantly exceeded that of the previous year thanks to the new contract for low-temperature shipments in our delivery services for major convenience store chains. Although the business faced difficulties in terms of costs due to the rise in labor costs and diesel fuel prices, these negative impacts were kept to the minimum through efforts to set and agree on adequate price for the contracted shipping service especially in 3PL business.

Our vehicle custom installation business, which carries out design of truck bodies and installation of accessories, performed steadily thanks to increase in sales of specialty vehicles and improvement in profitability resulting from previous year capital investment.

As a result of the above, sales of this segment were ¥36,135 million (106.3% that of the corresponding period of the previous year), and due partly to changes made this fiscal year in the useful life of some company-owned vehicles to better reflects their actual operational status, ordinary income was ¥2,125 million (129.0%).

<Other Businesses>

Among our seawater business, the salt manufacturing business of Nihonkaisui Co., Ltd. performed steadily in terms of profit due to effort to increase price of salt for industrial use, in spite of the absence of the profits from large-scale projects for water treatment systems, which existed in the previous fiscal year, and the delay in construction in our environmental business due to West Japan Flood. Also, Tateho Chemical Industries Co., Ltd. continued to face difficulties as prices of raw materials for fused magnesia, which is used for heaters, rose in the first half of the fiscal year and the demand of magnesia for electrical steel decreased temporarily although the sales of general magnesia products including those for firebricks increased.

Our aerosol business, which supplies aerosol products on an OEM basis, performed strongly thanks to an increase in orders for contract manufacturing of personal use product such as cosmetics backed by demands from Chinese market.

Our information and electronics materials business, which procures and sells electric and electronic materials, grew steadily due to an increase in sales for automobile applications.

Our O-rings business, which manufactures and sells sealing parts for machines, performed steadily driven by the strong demand in spite of signs of slowdown in the third quarter. Our metal surface treatment service using "NV Nitriding Process" also performed steadily especially in processing automobile-related parts.

As a result of the above, sales of this segment were ¥96,319 million (103.7% that of the corresponding period of the previous year), and ordinary income was ¥6,366 million (104.6%).

(2) Explanation of financial position for the current period

Total assets at the end of the current third quarter consolidated fiscal year under review stood at ¥742,899 million, an increase of ¥49,798 million compared to the end of the previous consolidated fiscal year primarily due to increases in tangible fixed assets and investment securities. Liabilities stood at ¥439,792 million, an increase of ¥41,336 million compared to the end of the previous consolidated fiscal year mainly due to increases in borrowings. Net assets stood at ¥303,106 million, an increase of ¥8,462 million compared to the end of the previous consolidated fiscal year, mainly due to an increase in accumulation of quarterly net income attributable to shareholders of the parent.

Net assets per share grew from ¥1,422.60 at the end of the previous consolidated fiscal year to ¥1,465.99, and the equity ratio dropped from 40.1 % at the end of the previous consolidated fiscal year to 38.6%.

(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 11, 2018.

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 for the fiscal year including the third quarter under review, and next by multiplying the quarterly income before income taxes by such estimated effective tax rate.

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

(Changes in accounting estimates)

In the first quarter of the fiscal year ending March 31, 2019, the consolidated subsidiaries in logistics business replaced tangible fixed assets in their logistics business and reviewed their actual utilization and expected period of use. As a result of this utilization study, the useful life of these physical assets was changed to the useful life based on expected utilization period at the beginning of the fiscal year ending March 31, 2019.

Following this change, depreciation expense for the nine months ended December 31, 2018 decreased by ¥842 million, while operating income, ordinary income and income before income taxes increased by the same amount compared to the results calculated by the method used before this change.

(4) Additional information

The “Partial Amendment to the Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) has been applied from the beginning of the fiscal year ending March 31, 2019. As a result, deferred tax assets are presented in the investments and other assets of balance sheet, and deferred tax liabilities are presented in the non-current liabilities.