February 10, 2017

Consolidated Financial Results (Japanese Accounting Standards)
For the Third 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 Nine Months Ended December 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	%
Nine months ended December 31, 2016	489,328	-0.4	28,599	7.4	28,718	5.5	18,341	-1.2
Nine months ended December 31, 2015	491,125	0.4	26,628	7.1	27,217	1.3	18,561	4.2

Note: Comprehensive income: Nine months ended December 31, 2016: 22,920 millions of yen (28.5 %)
Nine months ended December 31, 2015: 17,842 millions of yen (-22.3 %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2016	94.04	93.85
Nine months ended December 31, 2015	94.69	94.47

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	633,092	273,795	39.4
As of March 31, 2016	575,832	256,179	40.8

Reference: Equity as of December 31, 2016: 249,710 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	—	14.00	—		
The fiscal year ending March 31, 2017 (Forecasts)				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 fiscal year ending March 31, 2017	700,000	6.0	42,500	7.5	42,000	19.7	23,000	14.2	117.94

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 December 31, 2016:	198,705,057 shares
As of March 31, 2016:	198,705,057 shares
b. Number of shares of treasury shares	
As of December 31, 2016:	3,744,925 shares
As of March 31, 2016:	2,596,449 shares
c. Average number of shares during the term	
First Nine months of the fiscal year ending March 31, 2017:	195,036,480 shares
First Nine months of the fiscal year ending March 31, 2016:	196,028,512 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 Third Quarter Earnings

(1) Explanation of operating results

1) Operating results for the current period

With regards to the business environment surrounding our corporate group, production activities of the export-oriented manufacturing industry have begun to pick up steadily, thanks to the strong U.S. economy and a recovery in demand from Asian countries.

On the other hand, capital investment by the manufacturing industry continued to lack momentum, as manufacturers remained cautious due partly to the impact of rapid fluctuations in currency exchange rates resulting from changes in overseas conditions.

In our industrial gas business under these circumstances, our large-scale on-site gas supply business has gradually started to recover, driven primarily by the on-site gas supply to blast furnaces reflecting robust domestic demand.

The business also exhibited strong performance, including a steady progress made in implementing our strategy to promote regional businesses with our nine regional companies nationwide at its core, such as efforts to create new gas demand.

Despite concerns over weather impacts, our agriculture and food product business performed strongly by minimizing the impact of typhoons and by actively pursuing M&A's and strengthening of the existing businesses. Our medical business embarked on the building of a new business model by making aggressive investments through M&A's.

Our energy business has successfully overcome the difficult business environment by developing various measures to increase the number of customers and sales volume.

Our business groups that represent our Order Rodentia Style of business, such as our salt manufacturing business, logistics business and aerosol business, made a steady progress in improving the existing businesses and in efforts that focused on growth fields.

In such an environment, our chemical business is gradually getting over the most difficult time caused by exchange rates and crude oil prices, although it will take more time for the business to become stable.

As a result, for this year's third quarter consolidated cumulative period, sales were ¥489,328 million (99.6% that of the corresponding period of the previous year), operating income was ¥28,599million (107.4%), ordinary income was ¥28,718 million (105.5%) and profit attributable to owners of parent was ¥18,341 million (98.8%).

2) Consolidated results by segment for this period

(Millions of yen)

	Net Sales		Ordinary income / loss	
	Nine months ended December 31, 2016	% compared with the corresponding period of the previous year	Nine months ended December 31, 2016	% compared with the corresponding period of the previous year
Industrial Gas Business	149,844	103.9%	12,042	117.7%
Chemical Business	45,424	63.8%	-552	—
Medical Business	88,655	101.9%	4,567	95.1%
Energy Business	29,701	90.5%	2,035	111.3%
Agriculture and Food Products Business	90,203	128.9%	4,001	146.6%
Other Businesses	85,498	99.5%	6,096	98.5%
(adjustment)	—	—	527	45.5%
Total	489,328	99.6%	28,718	105.5%

(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, recovery of sales spread to a broader range of sectors, thanks to the progress made in inventory adjustment by the domestic manufacturing industry, including production of automobile-related goods, chemicals, and electronic components and the construction sector, as well as the pickup in overseas demand and bottoming-out of domestic demand.

On the other hand, the difficulty in determining the prospects for future growth amid increasing uncertainties in the business environment and a delay in improvement in some sectors have made manufacturing industries cautious about investments to increase their production capacity which would be a driving force for a full-fledged recovery of the domestic economy.

Under these circumstances, gas demand from steel manufacturers which are our largest customers has gradually recovered, led by the on-site gas supply business for blast furnaces, due to the start of a moderate improvement in the domestic demand. Also, our nine regional companies at the forefront of our sales operations have steadily expanded new opportunities for new gas supply business by agilely targeting the relatively dependable investments by customers in renewal and integration of facilities. In December, the commissioning of our VSUA No. 14 plant in Omuta City, Fukuoka Prefecture was completed, following upon the start of the operation of our VSU No. 13 plant in Nagasaki in July last year.

As a result of the above, sales of this segment were ¥149,844 million (103.9% that of the corresponding period of the previous year) and ordinary income was ¥12,042 million (117.7%).

<Chemical Business>

Our coal chemicals business was affected by the appreciation of the yen and fall in crude oil prices resulting in a decline in sales prices, mainly of crude benzene, which is our mainstay gas refinery product and our basic chemical product. Our fine chemicals business steadily promoted structural reform and worked to expand sales of pharmaceutical intermediates. Kawasaki Kasei Chemicals Ltd. saw a decline in sales of general-purpose chemicals and quinone-based products.

Our tar distillation business continued to face difficult conditions due to the deterioration in global market conditions and global weakening in demand, particularly for needle coke.

By accelerating all possible structural reforms, our chemical-related businesses will make themselves robust against changes in business environment and will cultivate a functional chemicals business that makes the most of the strengths of our groups such as fine chemicals.

As a result of the above, sales of this segment were ¥45,424 million (63.8% that of the corresponding period of the previous year) and ordinary loss was ¥552 million (the previous period marked the ordinary income of ¥273 million).

<Medical Business>

Although the number of hospital construction projects completed this fiscal year has decreased, this business sector increased its proposals and received more new orders for the construction of operating rooms and ancillary works, placing acute hospitals at the center of its efforts. Sales volume of our medical oxygen grew, thanks to the successful results of measures taken to strengthen operations carried out through regional business companies. Our medical treatment services promoted structural reform, primarily to increase new contracts and get revisions of existing contracts, although there were changes in the number of hospitals contracting our SPD services. Efforts were made to expand orders for our contract sterilization services, particularly those outside hospitals.

Our home medical care services achieved higher added value to the rentals of our home oxygen concentrator through proposals for devices and services that have distinctive features. Sales of our medical treatment devices improved to exhibit strong performance thanks to the increase in cases in which nitric oxide inhalation therapy is applied. In addition to the fields of business we have been involved to date which include advanced treatment, our medical business embarked on the building of a new business model in order to provide products and services with close connection to people’s lives.

Starting with the current third quarter consolidated accounting period, Kawamoto Corporation has been newly included in our consolidated business results.

As a result of the above, sales of this segment were ¥88,655 million (101.9% that of the corresponding period of the previous year) and ordinary income was ¥4,567 million (95.1%).

<Energy Business>

Sales of LP gas achieved an increase in volume, which is the priority measure of our energy business, through an increase in household use gas volume achieved by expanding the use of our company’s energy-saving device VIVIDO and by attracting new customers with offers of e-money perks, whereas a steady increase in both sales volume and the number of customer sales transactions for industrial use was achieved through the promotion of proposals for fuel conversion. Also, the promotion of supplementary sales of kerosene to LP gas customers and extension of e-money perk offers to kerosene customers led to an increase in sales of kerosene.

As a company supporting energy supply to regions, our energy business has built a business foundation which is robust against changes in business environment through the promotion of various measures from our customers' standpoint, in particular considering "stable supply," "energy-saving proposal making" and "development of new services" as a single, united goal.

As a result of the above, sales of this segment were ¥29,701 million (90.5% that of the corresponding period of the previous year) and ordinary income was ¥2,035 million (111.3%).

<Agriculture and Food Products Business>

Our farm products business, which includes cultivation, procurement, distribution, processing, and retailing of vegetables, made efforts to offset the impact of the typhoons that caused heavy damage to agricultural zones in Hokkaido through measures including more efficient processing. In our fruit and vegetable distribution business, efforts are being made to strengthen the profitability of each store by increasing store operation efficiency, and to strengthen and promote the Group's product lineups. Air Water Tokachi Foods Co., Ltd. has been newly included in the consolidated business results of our farm products business starting with the second quarter of the consolidated accounting period.

In our food processing businesses including ham/delicatessen and frozen food, sales of our raw ham were strong, and there were also signs of a pick-up in sales of ham and sausages sent as year-end gifts. However, results of the ham/delicatessen business as a whole were poor, severely affected by a decline in prices resulting from competition among mass retailers.

Sales of frozen vegetables including broccoli and sweets remained steady, due in part to the acquisition of new customers. In addition to the new inclusion of Daisen Ham Co., Ltd. in our consolidated business results starting with the second quarter of the consolidated accounting period, Plecia Holdings Co., which designs, manufactures, and sells Western and Japanese confectionery, has been newly included in our consolidated business results starting with the current third quarter consolidated accounting period.

Our beverage business grew satisfactorily thanks such factors as strong beverage sales in summer and a recovery in sales of vegetable and fruit beverages.

As a result of the above, sales of this segment were ¥90,203 million (128.9% that of the corresponding period of the previous year) and ordinary income was ¥4,001 million (146.6%).

<Other Businesses>

Among our other businesses, in our seawater business, sales volume of both the highly distinctive national brand and the private brands of the salt manufacturing business of Nihonkaisui Co., Ltd. remained strong, but sales of salt that is laid in stock, such as snow melting salt, faced difficult conditions.

On the other hand, our environment business performed strongly, led by sales of magnesium hydroxide. Tateho Chemical Industries Co., Ltd. continued to face difficult business conditions due to the decline in demand for magnesia used in electromagnetic steel plates in China.

Our logistics business performed strongly, due to an increase in volume of food shipments and the promotion of streamlining efforts. Our vehicle custom installation business saw an increase in orders for the installation of trailer bodies due to the expansion of production lines. In this way, we have always implemented measures that deal well with changes in the business environment and so have established a highly stable business structure.

Our aerosol business saw satisfactory growth in sales of products for use on human body, such as cosmetics produced on contract, and for household use such as pesticides.

However, the overall earnings of this segment declined compared to that of the previous year due to the sale of its leasing business.

As a result of the above, sales of this segment were ¥85,498 million (99.5% that of the corresponding period of the previous year) and ordinary income was ¥6,096 million (98.5%).

(2) Explanation of financial state

Total assets at the end of the current third quarter consolidated accounting period stood at ¥633,092 million, an increase of ¥57,259 million compared to the end of the previous consolidated fiscal year, due primarily to increases in notes and accounts receivable and investment securities. Liabilities stood at ¥359,296 million, an increase of ¥39,644 million compared to the end of the previous consolidated fiscal year, due primarily to increases in borrowing. Net assets stood at ¥273,795 million, an increase of ¥17,615 million compared to the end of the previous consolidated fiscal year, due primarily to accumulation of quarterly net income attributable to owners of parent.

Net assets per share grew to ¥1,280.83, up from ¥1,196.92 in the previous consolidated fiscal year, and the equity ratio changed to 39.4% from 40.8% in the previous consolidated fiscal year.

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

Production activities in the domestic manufacturing industry are showing a steady recovery due to the progress being made in inventory adjustment, which was the main cause of sluggish demand, as well as the improvement in overseas demand and the bottoming-out of domestic demand. The Japanese yen's depreciation and higher stock prices also boosted the real economy, and the recovery is expected to continue, particularly in the export-oriented manufacturing industry. On the other hand, however, uncertainties remain, including anxiety factors such as changes in U.S. policy, destabilization of European Union, structural change in Chinese economy, as well as the emergence of a serious labor shortage in Japan.

Under these circumstances, our industrial gas business will advance strategies to strengthen regional businesses step by step with VSU as the pillar of the business, thereby unearthing regional demand for industrial gas and making the transition to a business structure that can fully deal with changes in business environments.

Our medical business and agriculture and food product business will pursue maximal growth of new businesses, with M&A's set at the core of the strategy.

Our energy business will work to expand sales volume through a thorough implementation of measures to increase sales volume and customers of gases for household use and through the promotion of industrial fuel conversion which helps reduce environmental burden. Our business groups that follow our Order Rodentia Style of business, such as our salt manufacturing logistics, and aerosol businesses, are niche businesses but will cultivate new business fields with overwhelmingly competitive technologies, products, and services.

Our chemical business, which continues to face difficult conditions, will take every possible measure to reduce risk factors in the business environment and will work with Kawasaki Kasei Chemical Co., Ltd. to accelerate the building of new business models with products and technologies that have distinctive features.

Accordingly, the business forecasts for the full fiscal year are unchanged from the business forecasts announced at the beginning of this period.

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 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

(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.