

Date: May 16, 2007

CONSOLIDATED FINANCIAL RESULTS

AIR WATER INC.

Head Office: 20-16, Higashi-shinsaibashi 1-chome,
Chuo-ku, Osaka, Japan**1. Results for the year Ended March 31, 2007****(1) Financial Results**

(The percentage figures represent the percentage of increase or decrease against the previous year.)

Millions of Yen

	Net Sales	Percent Change	Operating Income	Percent Change	Net Income	Percent Change
Year Ended March 31, 2007	404,651	+7.5%	23,097	+13.2%	11,876	+23.1%
Year Ended March 31, 2006	376,306	+18.3%	20,412	+12.6%	9,647	+23.6%

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Net Income to Equity	Operating Income to Net sales
Year Ended March 31, 2007	72.59	64.98	11.9%	5.7%
Year Ended March 31, 2006	61.93	54.17	11.5%	5.4%

Reference: Equity in net income of non-consolidated subsidiaries and affiliates : March 31, 2007 ; 2,342 million yen
March 31, 2006 ; 1,498 million yen**(2) Financial Position**

Millions of Yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share(Yen)
As of March 31, 2007	329,228	118,244	33.2%	641.95
As of March 31, 2006	306,366	90,893	29.7%	559.94

Reference: Equity : March31,2007 ; 109,438 million yen
March31,2006 ; million yen**(3) Summary of Consolidated Cash Flows**

Millions of Yen

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year Ended March 31, 2007	30,648	(17,213)	(9,615)	16,846
Year Ended March 31, 2006	23,511	(21,903)	655	12,876

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, 2007	9.00	11.00	20.00	3,409	27.6%	3.3%
Year Ended March 31, 2006	7.00	10.00	17.00	2,679	27.5%	3.2%

3. Other Information

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation)

Exclude: 1 company

(2) Changes in Accounting Principles, Procedures and Presentation Methods for Consolidated Financial Results

(1) Changes arising from revision of accounting standards: Yes

(2) Changes arising from other factors: No

(3) Number of shares Outstanding (Ordinary Shares)

(1) Number of shares outstanding (including treasury stock) as of March 31, 2007 ; 170,688,156 shares

as of March 31, 2006 ; 162,524,257 shares

(2) Number of shares of treasury stock as of March 31, 2007 ; 210,014 shares

as of March 31, 2006 ; 465,719 shares

1. Operating results

(1) Analysis of results

The fiscal year under review saw the longest-running period of expansion in the Japanese economy in the post-war period which continued to move along a path of gentle but stable growth. Capital investment in plant and equipment was brisk as corporate performance picked up, exports grew firmly driven by the weak yen and there were signs of a recovery in personal spending.

The business climate in which Air Water Inc. operates saw production in Japanese manufacturing industry continue at high levels across the board with the steel industry, the Company's major industrial gas client, posting the second highest raw steel production operating rate in its history, while the semi-conductor, liquid crystal, chemical, glass, automobile, ship building and construction machinery industries all continued to perform strongly.

In this environment all types of industrial gas, which is AWI's mainstay product, returned strong performances, with broad-based sales increases across the range from on-site supplies to large-volume customers and to liquefied, and cylinder/bottled gas. The Company's well-timed investment in plant and equipment bore fruit particularly in terms of industrial gases for the iron and steel, semi-conductor, liquid crystal and glass industrial sectors and allowed the company to produce, on a stable basis, sufficient supplies to meet the growth in demand. In addition to higher demand in volume terms, with the approval of its customers the Company was able to revise prices thereby allowing it to absorb rises in production and logistics costs against the backdrop of high oil prices. The Company's chemical business also performed strongly with surging demand for basic chemicals in East Asian and other markets keeping production at high levels and with an upturn in market conditions driven by the sharp rise in oil prices.

As a result, in the fiscal year under review, which corresponds to the final year of the Target 3600 mid-term business plan, the Company's Industrial and Chemical Business groups, underpinned by the determined execution of the business plan and assisted by a favorable business climate, drove up the company's overall performance allowing it to return results that comfortably surpass the end targets of the mid-term business plan.

For the fiscal year under review, the AW group reported a consolidated net income of ¥11,876 million, 23.1% up on last year, on consolidated net sales of ¥404,651 million, 7.5% up, with ¥23,097 million in consolidated operating income, 13.2% up, ¥25,458 million in consolidated ordinary income, 16.4 % up, and a net income per share of ¥72.59, up ¥10.66.

Individual AWI business group performances in fiscal 2006 are outlined below.

Industrial Business group

On the back of high operating levels at customer plants and strong increases in capital investment, demand for industrial gases remained very strong. In addition to proposing

new applications of industrial gases and cultivating new demand, the Industrial Business group focused on winning new customers in such growth industries as liquid crystals, plasma display panels (PDP), semi-conductor and solar cells. The group worked to strengthen and stabilize its operating base, promoting diversification in its on-site business by maximizing the advantages of its cryogenic air separation plant that utilizes the very latest in AW group technologies.

This resulted in brisk sales of oxygen to the steel and glass industries. Sales of nitrogen to the chemical, liquid crystal, PDP and semi-conductor industries, of argon to the silicon wafer, steel, automobile, construction machinery industries, and of helium to the optic fiber and MRI sectors remained strong. Supplies of carbon dioxide to the steel, shipbuilding and construction machinery industries and of hydrogen to the silicon wafer and glass industries also remained brisk.

In its hydrogen gas business the Company successfully commissioned the VH1 thermo-neutral hydrogen reformer, the first of its kind anywhere, at its Yamaguchi factory in April 2006 and started on-site supplies to Toyo Kohan Co. Ltd.'s Kudamatsu plant. In September, the Company commissioned its second on-site plant at a steel sheet manufacturer. Both plants are currently operating smoothly and providing uninterrupted supplies of hydrogen. This has allowed the company to develop new hydrogen piping business model for sectors using the gas. In February 2007, the company strengthened its hydrogen business by taking over all the Sumisho Air Water Co., Ltd. shares held by Sumitomo Corporation. The company will change the name to Air Water Hydro Co., Ltd. in July 2007 to tighten the integration of the AW group management.

The Company is also boosting its production hub network by installing new VSU (compact liquid nitrogen/oxygen co-production plant) plants that are energy efficient, reduce environmental loads and that strengthen profitability by stabilizing regional supplies of industrial gases and raising logistic efficiencies. With plants already installed in Niigata and Kumamoto, the company Commissioned new VSU plants in Fukui in April 2006 and in Aichi in March 2007.

To expand its on-site gas supply base for the steel industry, the Company took over Nippon Steel Chemical Co., Ltd.'s Hikari Plant gas business in October 2006 and started supplying to the NSCC group.

The ultrasonic jet burner system developed by AWI using technology from Praxair, Inc. of America and with its own engineering prowess has been highly appraised by electric steel manufacturers for the improvements it brings to production efficiency and safety and demand for the system is growing. This is leading to increased sales of the system and in demand for oxygen.

The Industrial Business group posted net sales of ¥185,083 million, an increase of 9.4% over last year.

Medical Business group

An increase in the number of new hospital customers for the Medical Business group's mainstay medical gases saw a smooth expansion in deliveries of oxygen and sterilizing gases. However, the Company's healthcare business was impacted by revisions in reimbursement prices and to the Medical Diagnosis & Treatment Remuneration system. Orders for the Company's Supply Processing and Distribution (SPD) and for its contract

sterilizing services grew steadily. The Company's Home Healthcare business also saw steady growth in rentals of oxygen concentrators (Home Oxygen Therapy) and artificial respiratory equipment. The Company's Welfare and Care business reported sluggish sales of its shower equipment for nursing care.

To address the challenging operating environment resulting from reforms in the healthcare system and growing competition, the Company is actively promoting its Total Hospital Business that supplies a wide range of products and services sought by hospitals. These range from the supply of medical gases and equipment to piping installation and operating theater outfitting and to the Company's SPD, contract sterilizing and other outsourcing services.

In the field of community and home care, the Company is strengthening its customized service organization by forging closer ties with medical institutions and administrative bodies. This is to address the growing trend to transfer convalescent-classified patients from convalescence beds in hospitals to public nursing-care insurance institutions, one of the healthcare reforms promoted by the Japanese government. As a leading manufacturer of medical gases the Company is growing its medical business around its two Total Service programs that target hospital and community/home care business.

The Company positions its Total Hospital businesses as a core business. As such it delivered advanced healthcare infrastructure to 11 operating theaters in the new central diagnostic & treatment wing of The University of Tokyo Hospital in September 2006. The infrastructure included operating theater equipment and apparatus manufactured by Air Water Safety Service Inc. In October of the same year, Air Water Safety Service Inc. made Seiken Medical Co., Ltd., which possesses superior sterilization, cleaning, maintenance and other technology for the hospital environment management business, into a group subsidiary. These developments combined with AW group know-how to generate synergies that led to further growth in the Total Hospital business, this including the winning of new facility construction orders from major hospitals.

The Medical Business group posted net sales of ¥49,445 million, an increase of 16.1% over last year.

Chemical Business group

The Company made Tateho Chemical Industries Co., Ltd. a wholly-owned subsidiary in February 2006 and merged Air Water Chemical Inc. and Air Water Bellpearl Inc. into the main AWI structure on April 1 of the same year. With the reorganization of its chemical business now complete, the group is forging ahead in expanding its operations in a speedy and efficient manner.

Sales of basic chemical products were strong on the back of brisk demand and an upturn in market conditions. The Company strengthened the profit base for its crude benzene operations by establishing NA Aromatics Co., Ltd. The AWI group company C-Chem Co., Ltd. posted strong sales of tar distillates for use as electrode pitch, and a very active market in China brought strong sales of naphthalene and phthalic anhydride. Sales in the fine chemicals sector grew strongly driven by higher sales to the electronics materials field, increased production of liquid crystal resin materials, and by higher sales of pharmaceutical and agricultural intermediates. The AWI group company Sun Chemical

installed a new oxidation plant in August 2006, giving the Company another entry point into the electronics materials field.

AWI subsidiary Tateho Chemical Industries Co., Ltd. posted strong sales of magnesium oxide for use in the production of electromagnetic steel sheets driven by the expansion of the global power supply infrastructure, and also of magnesia for electro thermal applications. Tateho Chemical also concentrated efforts on expanding sales of magnesium oxide ceramics in markets outside Japan.

Air Water Bellpearl Inc. performed strongly, with firm sales of its Bellpearl functional high polymer phenol resin, of new carbon products that use this material and of PSA (Pressure Swing Adsorption) equipment.

The Chemical Business group posted net sales of ¥78,675 million, an increase of 18.8% over last year.

Energy Business group

The Energy Business group continued to operate in a rapidly changing environment marked by rises in LP gas prices stemming from soaring oil prices and by growing competition between electric power and urban gas suppliers.

The Energy Business group successfully increased the number of its direct sales customers through the active acquisition of trade rights with the object of shifting to a more profitable direct selling base for LP gas and kerosene. Other factors contributing to the strong performance for the fiscal year include improvements in productivity gained through higher logistic efficiencies, and cost reductions. The Company also continued its drive to introduce a more community-oriented style of management, which gives greater priority to regional market characteristics, by reorganizing the operating base of local companies on an individual region basis. This has accelerated the decision-making process and allowed operations to be run in a more efficient manner. It has also seen an increase in the market competitiveness of the Energy Business group, allowing it to continue its efforts to grow and strengthen the profitability of its operations.

In the Company's natural gas operations pipeline deliveries of natural gas from the Chitose Gas Supply Center in Hokkaido grew strongly. In the LNG sector, the Company enjoyed a significant increase in orders over last year for its large LNG tank containers. These containers are developed and manufactured using AW group proprietary cryogenic technology and are highly rated by customers.

The Energy Business group posted net sales of ¥46,990 million, an increase of 0.6% over last year.

Consumer Products Business group

The Consumer Products Business group continued to operate in a challenging environment in which the industry as a whole was faced by sluggish consumption, downward pressure on prices and by sharp rises in raw material prices for fishery and livestock produce. Under these circumstances, the Company managed to keep its raw

material prices stable by entering into long-term contracts with growers who had successfully contained the high price of livestock produce raw materials and by diversifying the regions from which it purchases. The Company was also active in introducing sales initiatives that encourage suppliers to strengthen ties with producers, and as well as expanding transactions with existing customers it sought to open up new sales channels.

The group posted double-digit growth in sales of raw ham, its mainstay product, over last year while sales of intermediate products to suppliers also made a significant contribution to total sales. Sales of retail dry sausage products, which the Company brought to market in April 2006, grew firmly as orders from leading convenience stores made them the company's second best-selling product in the sector behind raw ham products.

In the housing products sector, the Company transferred 80% of its shares in Air Water Emoto and all of its shares in Air Water Chemical Co., Ltd. to Matsushita Electric Works Bath & Life, a wholly-owned subsidiary of Matsushita Electric, on October 1 2006.

The Consumer Product Business group posted net sales of ¥21,378 million, a 27.3% decrease over last year.

Other business

In the logistics business AWI continued to operate in a challenging environment marked by increased costs resulting from rises in diesel fuel prices and ferry freight charges stemming from high oil prices, from rises in the cost of tires and other consumables and from costs related to compliance with more stringent environmental regulations.

The Company is working to maintain the soundness of the earnings structure of its logistics business by passing on cost rises to shippers in a drive to rectify haulage prices as well as by reducing fuel and haulage costs through driver education programs and the promotion of more economical driving habits.

In this environment the Company has worked to expand the volume of its logistics business by actively growing its solution logistics business, by winning new shipping consigners and by increasing haulage volumes with existing customers. The Company has enjoyed a significant growth in its third party logistics (3PL) business both in terms of numbers of customer and volumes handled and have realized greater efficiency in running this unit. The Company remains the sole provider of source plasma and Nucleic Acid Amplification Test (NAT) sample transport to the Japan Red Cross Society.

Use of the Company's recycled composite construction material *Ecoroca* in the public sector platforms at schools and welfare facilities is growing and the Company has expanded sales channels for this material. In recognition of its outstanding environmental qualities *Ecoroca* is licensed by the Japan Environment Association to display the Eco-Mark and the Company is currently seeking to develop new uses and create new demand for this eco-friendly material.

Other business units posted net sales of ¥23,077 million, an increase of 4.0% over last year.

Outlook for fiscal year ending March 31, 2008

Despite concerns about other economies slowing down due to oil prices that remain at persistently high levels, in Japan production activity, particularly in the manufacturing industry, is expected to remain brisk and supported by strong capital spending on plant and equipment the economy is expected to continue to grow on a gentle but consistent path.

Fiscal 2007 marks the start of the corporate new mid-term business plan, Renovation 330. To achieve the end targets laid down in the new plan the Company will concentrate in this the initial year on strengthening its operating and financial structure to ready itself for a further stage of growth. Under the plan the Company will forge forward in its transformation into a high-profit company through M&A activities directed at growing information & electronic materials and other new business sectors, through greater efficiencies and the synergistic benefits stemming from reorganization of its subsidiary companies, and through further capital investment in on-site plants and R&D facilities.

AWI projects full-year fiscal 2007 consolidated net income of ¥14,000 million on net sales of ¥415,000 million, with ¥25,000 million in consolidated operating income and ¥27,000 million in consolidated ordinary income.

(2) Financial standing

Net cash provided by operating activities for the term under review totaled ¥30,648 million, a year-on-year increase of ¥7,137 million. This stemmed from increased pre-tax earnings, a decrease in corporate tax payments, and a temporary surplus in settlement funds due to the fact that the final day of the fiscal year fell on a holiday.

Net cash used in investing activities totaled ¥17,213 million, an increase of ¥4,689 million over the previous year, due primarily to an increase in income from the sale of subsidiary company shares and other negotiable instruments. As a result, free cash flow was ¥13,435 million, a year-on-year increase of ¥11,826 million.

Net cash used in financing activities totaled ¥9,615 million, a decreased of ¥10,270 million over last year, the result of the repayment of loans.

As a result of the above activities, cash and cash equivalents at the end of the fiscal year stood at ¥16,846 million, an increase of ¥3,970 million from the previous year.

Trends in cash flows indices

	FY2002 full year	FY2003 full year	FY2004 full year	FY2005 full year	FY2006 full year
Shareholders' equity ratio (%)	27.9	29.1	28.1	29.7	33.2

Ratio of market value to assets (%)	31.6	40.8	43.9	61.2	74.9
Debt repayment coverage (years)	5.4	3.5	4.4	4.4	3.0
Interest coverage ratio	15.2	24.2	20.3	22.4	30.0

Notes

Definitions:

- *Shareholders` equity ratio: Shareholders` equity / total assets*
- *Ratio of market value to assets: Total market value of shares / total assets*
- *Debt repayment coverage: Interest bearing liabilities / cash flows from operating activities*
- *Interest coverage ratio: Cash flows from operating activities / interest payments*

1. *All figures are calculated based on data from the consolidated financial statements.*
2. *The total market value of shares is the closing market share price at the end of the period multiplied by the number of outstanding shares (excluding treasury shares) at the end of the period.*
3. *The figure for cash flows from operating activities is taken from the consolidated financial statements. Interest bearing liabilities indicate all liabilities listed on the consolidated balance sheet for which interest is paid. The amount of interest payments listed in the consolidated cash flow statement is used for the interest payments above.*

(3)Policy on distribution of profits / Dividends for fiscal 2006 / Dividends for fiscal 2007

AWI regards returning corporate profits to shareholders to be one of its top management priorities. Based on the business climate, the corporate financial position and retained earnings and in pursuit of its declared target of returning 30% of consolidated profits to shareholders, the Company intends to continue paying stable dividends that reflect its performance and take into account future plans and initiatives.

In line with the above stated policy, the Company has reviewed its year-end dividend payment, as it did the interim dividend, and decided to increase the year-end dividend by ¥10 to ¥11 per common share. As a result, and added to the interim dividend of ¥9, the Company plans to pay a full-year dividend of ¥20, a ¥3 increase over last year.

For fiscal 2007, the Company intends to pay interim and year-end dividends of ¥10 per common share respectively, for a full-year dividend of ¥20.

3. Management policies

(1) Basic management policy

The Air Water Group adopts the following management policy: "To concentrate group companies' knowledge and expertise on the creation and development of businesses related to air, water, and the planet in general in the spirit of entrepreneurship that contributes to society". 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.

The Group's name, Air Water, symbolizes our long-held corporate concept of "contributing to a more balanced environment." Air and water are vital issues for mankind in the 21st century, and constitute the most important assets of AWI, which relies upon the atmosphere for the majority of the raw materials in its gas business. At a time when people around the world are being urged to build societies in which finite resources can be efficiently recycled, promoting a business model whereby the Company borrows precious natural resources from Mother Nature to be used as raw materials for its products and converts the used products back to harmless substances before returning them to the environment is a responsibility that AWI accepts as a given.

(2) Mid-term management strategy and targets

AWI drew up the 3-year business plan Target 3600 in fiscal 2004 and has pushed forward in its operations guided by the plan's three basic strategies: Expanding business; Improving operating income margin; strengthening the corporate financial structure. The Corporate results for fiscal 2006, the final year of the plan, show that it has surpassed the final targets laid down in the plan by a healthy margin. This happy result stems in part from the M&A program designed to maximize the synergistic benefits generated between the companies acquired and the AW group's existing industrial and chemical operations. Also contributing to the successful outcome of the plan is the creation of new demand and the opening up of new opportunities through the extended development of the Company's Solution Service business and the application of AW group technologies.

In March this year the Company announced "Renovation 330" a new 3-year business plan that seeks to build on the results achieved under Target 3600 in the context of the forecasted mid-term operating climate. The central thrust of the new plan is "Transformation into a high-profit enterprise" to which end it places primary emphasis on strengthening earning power and profitability through a process of restructuring in all segments of the Company's business and through the devotion of more corporate resources to growth fields. Renovation 330 sets the following targets for fiscal 2009, its final year: a net profit of ¥17,000 million and ordinary profit of ¥33,000 million on net sales of ¥470,000 million; an ordinary profit ratio of 7%; a minimum ROE of 12%; and an equity ratio of 40%. Renovation 330 provides three basic strategies for the achievement of these targets: Restructuring operations and boosting earnings and profits; Technology-driven creation of new, and revitalization of existing, businesses; Reinforcing the corporate financial structure.

1. Restructuring operations and boosting earnings and profits.

AWI will focus more management resources on its industrial gas, chemicals and other growth businesses. Over the three years of the plan the company plans to invest a total of ¥100,000 million: spending ¥70,000 million on plant and equipment and ¥30,000 million on its M&A program. M&A activities will aim to strengthen the Company's operations in the fields of information and electronics materials, fine chemicals and healthcare. The program will also focus on strengthening the Company's regional

business base through acquisitions of industrial and medical dealerships and LP gas commercial rights. In addition to working to strengthen the profitability of companies brought into the AW group through its M&A activities, AWI will seek to maximize the benefits harvested by merging the M&A acquisitions with, and by reorganizing, its existing operations.

2. Technology-driven creation of new, and revitalization of existing, businesses.

The Company plans to commission the new Shinano Integrated R&D Center* (provisional name), currently under construction in Matsumoto City, Nagano Prefecture, in July 2007. The new facility will help promote the company's transformation into a technology-driven enterprise and strengthen its R&D capabilities in growth fields.

Providing a hub for the AW group's wealth of research resources in gas technologies as well as in organic synthesis and other chemical technologies, the new Shinano facility will seek to marry these technologies and use the synergies generated to create new business models. Through this process the Company aims to strengthen its presence and create new opportunities in the electronics, healthcare, fine chemicals and other new markets.

3. Reinforcing the corporate financial position.

The Company will work to boost net worth and increase its equity ratio through the conversion of convertible debentures and by improving profitability to build up retained profits. The Company will also implement measures designed to stabilize its financial base, aiming to reduce interest-bearing liabilities to the ¥90,500 million level and achieve a Debt/Equity ratio of 0.6 by the end of Renovation 330.

The implementation of these strategies and achievement of the targets set by Renovation 330 will allow the Company to strengthen its earning power and profitability and complete its qualitative transformation into a high-profit enterprise and continue to build a commanding presence in the industrial gas industry.