

Date: May 15, 2008

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, 2008****(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, 2008	426,226	+5.3%	25,578	+10.7%	14,502	+22.1%
Year Ended March 31, 2007	404,651	+7.5%	23,097	+13.2%	11,876	+23.1%

	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, 2008	79.29	78.63	12.2%	6.0%
Year Ended March 31, 2007	72.59	64.98	11.9%	5.7%

Reference: Equity in net income of non-consolidated subsidiaries and affiliates : March 31, 2008 ; 2,283 million yen
March 31, 2007 ; 2,342 million yen**(2) Financial Position**

Millions of Yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share(Yen)
As of March 31, 2008	353,399	137,991	36.1%	689.41
As of March 31, 2007	329,228	118,244	33.2%	641.95

Reference: Equity : March31,2008 ; 127,567 million yen
March31,2007 ; 109,438 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, 2008	21,664	(36,033)	9,800	12,524
Year Ended March 31, 2007	30,648	(17,213)	(9,615)	16,846

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, 2008	10.00	12.00	22.00	4,071	27.7%	3.3%
Year Ended March 31, 2007	9.00	11.00	20.00	3,345	27.6%	3.3%

3. Other Information

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

No change

(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: Yes

(3) Number of shares Outstanding (Ordinary Shares)

(1) Number of shares outstanding (including treasury stock) as of March 31, 2008 ; 185,205,057 shares
as of March 31, 2007 ; 170,688,156 shares

(2) Number of shares of treasury stock as of March 31, 2008 ; 165,218 shares
as of March 31, 2007 ; 210,014 shares

1. Operating results

(1) Analysis of results

Operating results for fiscal year under review

<FY07 overview>

The fiscal year under review saw AWI operating in a climate marked by high levels of production activity in the manufacturing industry on the back of global growth in demand in the electronics, automobile, ship building and construction machinery sectors and with steel output hitting a new 34 year-record in Japan's crude steel industry. Reflecting this, capital investment in plants and equipment was also brisk. On the other hand, industries dependent on domestic demand, such as construction and bridge & steel structure, experienced a difficult time due to revisions in the Building Standards Law and cut backs in public works.

Under these circumstances, AWI in its industrial business is able to report growth in demand for all major industrial gases, including on-site supplies to major users. In its chemical business the Company enjoyed an upturn in market conditions with tight demand supply conditions for basic chemical products. These two business segments proved to be the prime drivers in the Company's performance forward. In the Fiscal 2007, AWI started its new mid-term business plan (April 2007 – March 2010) and promoted strengthening of earning power and profits through restructuring of the group's operations as its priority target.

As a result, for the fiscal year under review, AWI achieved the consolidated targets for Year One of the mid-term business plan as it reported a record net income of ¥14,520 million, 22.1% up on last year and the fifth consecutive yearly increase, on net sales of ¥426,260 million, 5.3% up and the seventh consecutive full-year increase, with ¥25,578 million in operating income, 10.7 up, ¥27,710 million in ordinary income, 8.8 % up, and a net profit per share of ¥79.29, up ¥6.7.

Individual AWI business segment performances in fiscal 2007 are outlined below.

(¥ million)			
Consolidated net sales			
	FY2007	Change from FY06	Segment ratio
Industrial	194,570	105.1%	45.6%
Medical	51,800	104.8%	12.2%
Chemical	91,329	116.1%	21.4%
Energy	51,094	108.7%	12.0%
Others	37,431	–	8.8%
Total	426,226	105.3%	100.0%

<Industrial business>

Driven by high operating levels and solid capital investment in the manufacturing industry as a whole, the demand for industrial gases remained very strong. In on-site supply to blast furnace steel mills, on the background of record high production in crude iron throughout Japan and high demand for high-valued steel products, the oxygen and argon sales went well. In on-site supply to liquid crystal, PDP, special glass and other thin-film panel manufacturers saw strong sales of nitrogen and other gases as gas plants newly installed by the Company maintained high levels of production to meet the reinforcement in production capacity by the customers.

A large-scale cryogenic air separation unit at the Kashima Plant has been operating smoothly since it went into commission in January 2008 and has allowed the Company to meet the increase in production at Sumitomo Metal Industries' Kashima Steelworks. With the new air separation unit, the Kashima Plant is now the largest argon producing plant in the country and is working further to increase its capacity to provide stable supply of argon for the rapidly growing market demand for the product.

In its efforts to strengthen its regional operations and win new demand, the Company established Tokai Ekisan Co., Ltd. in the outskirts of Nagoya City in March 2007 with the new facility being equipped with the Company's fourth VSU small liquid oxygen/nitrogen cogeneration plant. This has reduced the frequency of gas transported from the Kansai to the Tokai regions and led to a more stable supply system as well as realizing a significant increase in logistics efficiency. Adding further to the regional network, Fukushima Ekisan Co., Ltd., located in Motomiya, Fukushima Prefecture, began operating the Company's fifth VSU cogeneration plant in March 2008.

In its engineering business, the Company saw brisk orders for piping installation works at customer facilities with the increase in on-site plant projects for steel, semi-conductor and special glass manufacturers.

<Medical business>

In its medical gas business, the Company worked to win more new client hospitals and saw a smooth expansion in deliveries of medical oxygen, the main product in this area. Utilization of regional production hubs equipped with VSU generators resulted in higher efficiencies in the manufacture of and logistics for medical oxygen as well as realizing a more stable supply system.

The Company pushed forward rationalization and price revision at cylinder gas filling depots as its efforts to strengthen earning power and profitability.

The Company saw fewer large-scale projects in the area of medical equipment and hospital equipment installation work and greater competition in the home oxygen therapy and home healthcare areas. These two units operated in a difficult climate.

The Company will continue to reduce costs and restructure the earning base of its SPD (Supply, Processing and Distribution) and contract sterilization services as it strives to increase operating efficiencies in these areas.

<Chemical business>

Sales of basic chemical products went well on the background of an upturn in the market due to the rise in crude oil prices causing tight demand and supply conditions for raw benzene.

In its tar distillate business, AW group company C-Chem Co., Ltd. posted strong sales of electrode pitch coke for electric furnaces as well as robust sales of naphthalene driven by growing demand in China.

In the fine chemicals business, the Company reported strong sales of quinolinic acid for agricultural use and of functional chemicals, such as thermally expanded black lead and others for use in automobile seats and building materials.

In its magnesium oxide business, the Company maintained high production levels and posted strong sales of magnesia for use in the production of electrical steel sheet driven by expansion of the power supply infrastructure on a global scale. In its electrofused magnesia operations, a product used in heater insulators, the Company worked to improve production efficiencies and saw sales increase mainly in the European market.

With the aim of acquiring stable supplies of seawater resources that provide the raw materials for its magnesia business and to create a new "seawater products industry (business)" through the effective utilization of seawater resources, AWI invested in Japan's top salt producer, Nihonkaisui Co., Ltd. and made it a subsidiary on September 28, 2007 and has included its financial numbers in its consolidated results from the second half of fiscal 2007.

<Energy business>

The energy business operated in a difficult climate affected by cost increase in LP gas and kerosene due to sharp increases in crude oil prices and by a fall in sales due to the hot summer and mild winter. Despite this, the Company reported firm sales as results of the operational shift from a wholesale to a retail basis, the implementation of price revision, cost reductions and other rationalization efforts.

Further, as part of the structural reforms that constitute a main pillar of the new mid-term business plan, the Company actively acquired commercial rights and worked to improve its direct selling ratio in efforts to strengthen the earning power and profitability of its energy business.

In its natural gas supply operations, the pipeline deliveries to the Chitose Airport Industrial Park increased firmly on the background of strong production activities among its customers. The manufacturing of LNG tankers also performed well as orders for large-scale tank containers increased.

<Other businesses>

In its food business, frozen food products sale faced a difficult challenge in the face of sharp rises in agricultural and fishery raw material costs. However, the Company reported increased sales of ham and delicatessen products to restaurants, kaiten-sushi shops and other food service establishments as well as of lunch products to convenience stores and home delivery pizza shops.

In its logistics business, the Company operated in a difficult climate marked by increased fuel and vehicle maintenance costs but made firm increase in orders from number of new large-volume customers in Hokkaido offering its proprietary low-temperature food transportation technology. The Company also received new contacts from housing material manufacturers in its housing products logistics business, and improved the efficient running of its warehouse and haulage operations.

The Company is the sole transport provider of blood plasma and Nucleic Acid Amplification Test (NAT) sample for the Japan Red Cross Society and this area of operations continued to perform well.

<Outlook for fiscal year ending March 31, 2009>

There is concern about a downward turn in exports and in capital investments due to sharp rises in the costs of crude oil and other raw materials, as well as, to a slowdown in the American economy as a result of the sub-prime credit crisis. However, looking at the steel industry, the Company's main customer in Japan, the global demand for steel is expected to continue its run at high levels and the domestic consumption in Japan is also expected to increase briskly.

In the liquid crystal sector of electronics industry, Japanese manufacturers are all boosting production capacity to stay ahead of global competition. Demand for solar cells, a technology synonymous with clean energy is expanding on a global basis and plans for increases in the production and large-scale investments are predicted. For these reasons, the Company expects production levels in Japan's manufacturing industry as a whole to continue at healthy levels and forecasts the demand for industrial gases to move firmly forward.

There are, however, challenges that require to be addressed including rises in logistics costs and in raw material costs. The Company will focus efforts on increasing efficiencies in its manufacturing and logistics operations and will also continue efforts to gain the understanding of its customers as it persists in pushing through price revision.

As fiscal year 2008 represents the second year of mid-term business plan, Renovation 330 for the Company, the company will carry on structural reforms in its operations with still greater vigor in order to strengthen earning power and profits. Additionally, the Company will work to expand operations through M&A activities in its information & electronic material business and other future growth areas and at the company's Central Research & Development Institute create new business opportunities in cutting-edge fields by utilizing the company's highly advanced "only-one" technology in such area as rare gas recycling and melding its gas and chemical technologies in order to expand the business and strengthening earning power and profits.

Projected full-year consolidated results for fiscal year 2008

Net sales:	¥465,000 million (up 9.1% from the previous year)
Operating income:	¥28,000 million (up 9.5%)
Ordinary income:	¥30,000 million (up 8.3%)
Net income:	¥16,000 million (up 10.1%)

(2) Financial standing

Assets, liabilities and net assets (on consolidated basis)

Total assets at the end of the term under review stood at ¥353,399 million, an increase of ¥2,4170 million over last year. The change stemmed from the increase in fixed assets due to investment in plant and equipment and from the addition of new subsidiaries to the consolidated accounts. Liabilities stood at ¥215,407 million, an increase of ¥4,423 million that was due, among other factors, to the increase in interest-bearing liabilities subsequent to the addition of new subsidiaries to the consolidated accounts. Net assets stood at ¥137,991 million, an increase of ¥19,747 million over last year that stemmed mainly from the growth in capital and capital surplus resulting from the early conversion of yen denominated zero coupon convertible warrant bonds due 2009.

Cash flows

Net cash provided by operating activities for the term under review totaled ¥21,664 million, a year-on-year decrease of ¥8,984 million despite an increase in pre-tax earnings for the term, due mainly to increases in corporate tax paid and in working capital.

Investing activities produced an outward cash flow of ¥36,033 million, with a year-on-year increase of ¥18,820 million in total expenditure due to increased in fixed assets from spending on plant and equipment in the industrial gas business and on the construction of the new R&D Institute, together with the acquisition of equity securities. As a result, free cash flow was negative ¥14,369 million, a year-on-year decrease of ¥27,804 million.

Financing activities produced a cash flow of ¥9,800 million, an increase of ¥19,415 over last year due principally to the borrowing of funds for investment purposes.

As a result, cash and cash equivalents at the end of the fiscal year stood at ¥12,524 million, a decrease of ¥4,321 million from the previous year. Trends in the Company's cash flow indices are as shown below.

	FY2003 full year	FY2004 full year	FY2005 full year	FY2006 full year	FY2007 full year
Shareholders' equity ratio (%)	29.1	28.1	29.7	33.2	36.1
Ratio of market value to assets (%)	40.8	43.9	61.2	74.9	49.9
Debt repayment coverage (years)	3.5	4.4	4.4	3.0	4.7
Interest coverage ratio	24.2	20.3	22.4	30.1	16.1

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 flow from operating activities*
- *Interest coverage ratio: Cash flow 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 flow 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 2007 / Dividends for fiscal 2008

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 ¥11 to ¥12 per common share. As a result, and added to the interim dividend of ¥10, the Company plans to pay a full-year dividend of ¥22, a ¥2 increase over last year.

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.

(2) Mid-term management strategy and targets

AWI launched our new mid-term business plan "Renovation 330" in April 2007. Making "Transformation into a high-profit company" its key phrase, the new mid-term plan places primary emphasis on strengthening earning power and profitability through a process of restructuring in all segments of AWI's business as it seeks to grow into "the company with commanding presence in industrial gas industry". By fiscal 2009, the final year of the new plan, AWI aims for a net income of ¥17,000 million on net sales of ¥470,000 million, ordinary income of ¥ 33,000 million, with an ordinary income ratio of 7 percent, ROE of over 12 percent and equity ratio of 40 percent.

Under Renovation 330 AWI has drawn up and started to implement the following three basic strategies.

1. Reengineer businesses and boost earning power

AWI will focus more management resources on its growth fields. Over the 3-year period covered by Renovation 330 AWI plans to invest a total of ¥100,000 million, spending ¥70,000 million on new plant and equipment and ¥30,000 million on its M&A. M&A activities will be aimed at strengthening AWI's operations in information and electronics materials, fine chemicals and medical areas and also at expanding AWI's regional business activities through acquisitions and alliances with dealers in its industrial and medical business segments and through the acquisition of LPG trade rights. AWI will seek to maximize the benefits stemming from the M&A through a process of integrating the operations of companies acquired through M&A activities with its existing companies and of reorganizing its corporate structure.

2. Creation of technology-driven business and business renovation

In October 2007 the Company commissioned a new R&D Institute in Matsumoto City, Nagano Prefecture. The R&D Institute will serve as the engine powering the Company's drive to transform itself into a technology-driven enterprise, exploiting the Air Water group's wealth of technology and resources as it works to create new business opportunities and to push innovation in existing operations. This will allow the Company to carve out opportunities in new markets, including the development of materials and devices for the electronics and other cutting-edge fields, the development of new gas application and super-cryogenic technologies and the development of new products in the medical field.

3. Reinforce financial position

AWI will work to boost total net assets and increase equity ratio by improving profitability to allow it to build up our internal reserves. AWI will also implement initiatives designed to stabilize its financial standing, aiming for a debt/equity ratio of 0.6 by the end of Renovation 330.