AIR WATER ANNUAL REPORT 2015 Year Ended March 31, 2015

AIR WATER INC.

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ANNUAL REPORT 2015

Year Ended March 31, 2015

SECURING DECISIVE GROWTH

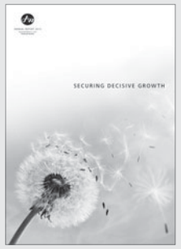
Management Philosophy

We dedicate ourselves and our resources backed by the entrepreneurial spirit and pride in creation and development of businesses linking air, water, the earth, and humans.

CONTENTS

Financial information media

(Financial)



Annual Report 2015 Financial Section

Website of financial and investors information

Consolidated Financial Highlights

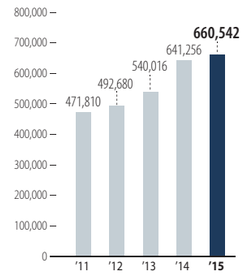
(Comparison of the past 5 fiscal years)

AIR WATER INC. and Consolidated Subsidiaries, Years ended March 31

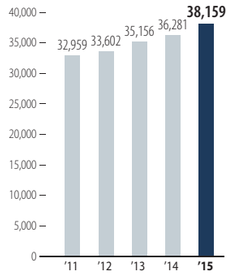
	2015	2014	2013	2012	Million of yen 2011	Thousand of U.S. dollars* 2015	Increase (Decrease) 2015/2014
Net sales	**¥ 660,542**	¥ 641,256	¥ 540,016	¥ 492,680	¥ 471,810	**$ 5,496,730**	**3.0 %**
Cost of sales	**534,524**	517,202	429,862	380,536	359,560	**4,448,065**	**3.3**
Selling, general and administrative expenses	**89,891**	88,976	82,257	80,472	80,981	**748,032**	**1.0**
Operating income	**36,127**	35,078	27,897	31,672	31,269	**300,633**	**3.0**
Ordinary income	**38,159**	36,281	35,156	33,602	32,959	**317,542**	**5.2**
Net income	**20,703**	19,225	18,366	17,167	11,680	**172,281**	**7.7**
Comprehensive income	**29,746**	25,157	21,197	16,005	11,293	**247,533**	**18.2**
Total assets	**547,643**	528,092	484,329	430,547	407,639	**4,557,236**	**3.7**
Total net assets	**240,154**	219,482	199,212	182,700	169,127	**1,998,452**	**9.4**
Cash flows from operating activities	**51,072**	48,249	30,057	39,662	32,576	**424,998**	**5.9**
Cash flows from investing activities	**(35,484)**	(52,187)	(42,501)	(28,695)	(34,766)	**(295,282)**	**(32.0)**
Cash flows from financing activities	**(7,941)**	4,620	10,254	(7,612)	(1,592)	**(66,081)**	**(271.9)**
Cash and cash equivalents at end of year	**28,763**	20,751	19,470	21,562	18,131	**239,353**	**38.6**
PER SHARE OF COMMON STOCK					Yen	U.S. dollars*	
Net income - basic	**¥ 105.75**	¥ 98.29	¥ 94.04	¥ 89.35	¥ 61.24	**$ 0.88**	**7.6**
Net income - diluted	**105.51**	98.08	93.87	87.21	59.56	**0.88**	**7.6**
Cash dividends applicable to the year	**28.00**	26.00	24.00	22.00	22.00	**0.23**	**7.7**
Net assets	**1,155.80**	1,040.22	949.63	873.78	822.05	**9.62**	**11.1**

*Notes: The translation of Japanese yen into U.S. dollars has been made solely for the reader's convenience at the rate of ¥120.17= U.S.$1.00, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2015.

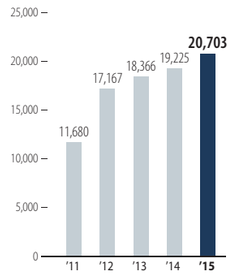
Net Sales (Million yen)



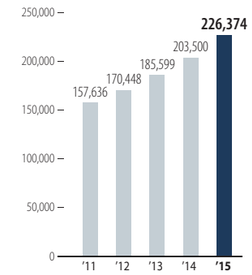
Ordinary Income (Million yen)



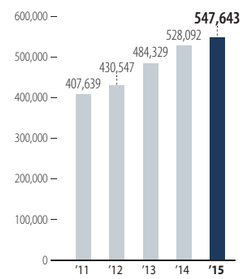
Net Income (Million yen)



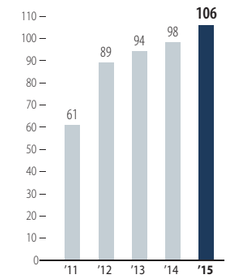
Total Net Assets (Million yen)



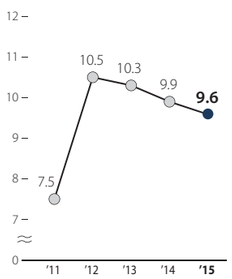
Total Assets (Million yen)



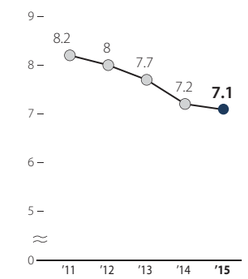
Net Income – Basic (yen)



Return on Equity (%)



Return on Assets (%)



Forward-looking Statements (Business Risk Factors, etc.)

The forward-looking statements in this Annual Report regarding estimates of business performance and predictions of future developments reflect Management's judgments based on currently available information, but also involve potential risks and uncertainties. Actual business performance could be significantly different from the projections made herein due to changes in various factors.

Towards achieving targets in the final year of NEXT-2020 Ver.2 to ultimately realize our goal of becoming a “1-trillion yen company”

Summary of FY2014

In this term (ending March 31, 2015), despite the domestic manufacturing industry getting off to a rough start due to a downturn caused by the consumption tax hike, the Japanese economy started recovering gradually from the second half of the term thanks to an increase in exports primarily to the U.S.A. A wide range of industries made gradual comebacks, evident through capital investment, for example, which had been stagnant but began to increase from the new year onwards. However, for the Air Water Group, the business environment remained harsh in our major segments due to factors such as the consumption tax hike early last spring, unseasonable weather from summer to autumn, the weak yen, the rapid drop in the value of crude oil from autumn and the ongoing increases in the cost of electricity.

Amidst this climate, in the second year of our three-year mid-term business plan, NEXT-2020 Ver. 2, which is the second step of the Air Water Group’s vision of becoming a 1-trillion yen company in FY2020, the group steadily promoted growth strategies in each business area and implemented its Order Rodentia Style of Business. This strategy involves a diversity of businesses that flexibly adapt to environmental changes in order to create synergy between the businesses and maximize the combined strength of the group.

As a result, consolidated results for FY2014 increased to 660,542 million yen in net sales (103.0% year-on-year) and we set a new record for the second consecutive year. In profits, increases were achieved across the board, with an operating income of 36,127 million yen (103.0% year-on-year), an ordinary income of 38,159 million yen (105.2% year-on-year), and a net income of 20,703 million yen (107.7% year-on-year). Growth was achieved in ordinary income, one of our primary management indicators, for the 12th consecutive term.

Regarding each business sector, gas supply volume recovered for the Industrial Gas Business as a result of increased operations in a wide range of industries where exporting competiveness was restored, such as the basic materials industry, thanks to the weak yen. Meanwhile, the Chemical Business continued to battle harsh conditions due to the drop in the price of crude oil. Even so, it experienced revenue growth thanks to increased sales in areas such as carbon materials and fine chemical products. For the Medical Business, Energy Business, and Agriculture and Food Products Business, we were able to virtually negate the harsh business environment through independent growth strategies. Furthermore, businesses with special characteristics, such as Seawater, Logistics and NV, grew steadily owing to the thorough implementation of our Order Rodentia Style of Business.

Business Outlook for FY2015

In the next term (ending March 2016), the Japanese economy is expected to enter a stage of moderate recovery due to the weak yen and inventory adjustment of materials in the manufacturing industry. Ahead of this, there are already signs of investment aimed at increasing production capability in accordance with equipment renewal. Furthermore, factors such as production returning to Japan as the result of a weaker yen and improved earnings due to the drop in crude oil prices are expected to help drive the economy. However, in the domestic manufacturing industry, there are concerns regarding cost pressure due to fluctuations in electricity prices. Additionally, while countries such as the U.S.A. are maintaining steady economic growth, the economies of China and Europe are showing signs of slowing down. Therefore, we believe we cannot afford to let our defense down for the foreseeable future.

Based on these forecasts, in the final year of the NEXT-2020 Ver. 2 mid-term business plan, the Air Water Group will continue to steadily promote the four key challenges laid out in the plan, and link its achievements to the NEXT-2020 Ver. 3 mid-term business plan, which is scheduled to start in FY2016.

In regards to the Industrial Gas Business, we will develop the domestic market by strengthening community-based business and steadily respond to capital investment opportunities in the domestic manufacturing industry. At the same time, we will further refine the technologies we have accumulated to date and develop our business in new overseas markets from the perspectives of R&D and engineering.

Moreover, in regards to other sectors such as our Medical Business and Agriculture and Food Products Business, we will exert efforts to further strengthen and expand operations involving people that will support our group’s sustainable growth. Looking at the Medical Business in particular, we will target the advanced acute period medical fields we have clarified through initiatives to date, and organically link the three business areas of Hospital Facilities, Medical Services and Medical Equipment, in order to accelerate business growth by providing value and services unique to the group. In addition, we will engage in proactive capital investment in preparation for business expansion and implement aggressive M&A activities in other sectors including the Chemical, Agricultural and Food Products, and Energy businesses to achieve expansion into new territories and create new synergy.

Through these initiatives, our projections for the next term are 700,000 billion yen in net sales (106.0% compared to the previous term), 40,000 billion yen in operating income (110.7%), 42,000 billion yen in ordinary income (110.1%), and 23,000 billion yen in net income (111.1%).

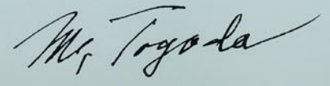
Towards the Future

Since the establishment of the company in the year 2000, the Air Water Group has overcome a number of difficulties, including the collapse of Lehman Brothers Holdings Inc. and the Great East Japan Earthquake. Looking at the group’s consolidated results for the current term, both sales and profits have grown approximately three-fold since our formation.

In this age when the business environment changes dramatically, one can assume that it will not be the strongest or the smartest who emerges victorious, but rather the ones who can respond to the environment and constantly adapt. By further promoting our All Weather Management System and Order Rodentia Style of Business, which enable stable growth even in harsh business environments, the Air Water Group aims to realize its ultimate vision of becoming a 1-trillion yen company in FY2020.

I wish to express my gratitude for your continuing heartfelt support and understanding as we embark on our journey towards the future.

Masahiro Toyoda
President and CEO AIR WATER INC.
September 2015

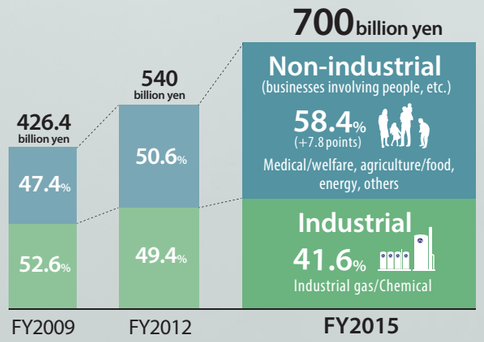


Basic Concept and Policies of NEXT-2020 Ver. 2

4 Key Challenges

- Strengthening the business structure of the Industrial Gas Business
- Strengthening regional strategies
- Expanding businesses involving people
- New development through M&A

Changes in Sales through NEXT-2020 Ver. 2



Industrial Gas Business

- Tank Trucks and Cylinders
- VSUs
- Large-scale On-site
- Small- to Medium-scale On-site
- Industrial Equipment
- Specialty Gases and Specialty Chemicals
- Electrical and Electronics Materials
- BELLPEARL®

Review of FY2014

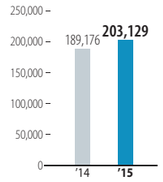
In the Industrial Gas Business, ongoing strong domestic demand for on-site use of blast furnaces resulted in a continued high standard of oxygen gas supply. Additionally, while the effects of the consumption tax hike linger in some industries, competitive strength has been restored in manufacturing industries such as chemical, semiconductor, electronic components, ship-building and machinery, as a result of the weak yen. Although industrial gas supply is fluctuating monthly, usage is gradually and steadily increasing. In the information and electronics materials field, electronics materials in particular performed strongly due to recovery in semiconductor-related businesses.

Outlook for FY2015

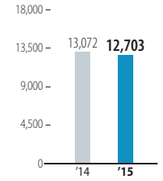
As the business environment is expected to remain obscure into the future, Air Water will thoroughly strengthen regional business, which is a stable market. Plans are to expand markets in all regions by strengthening the cylinder gas business with new filling stations, enhancing collaboration with influential regional dealers, and growing the VSU business. It will also steadily develop business overseas based on its strengths in gas producing technology such as cryogenic air separation.

Sales trends by category
(Year ending March 31)

Net Sales (Million yen)



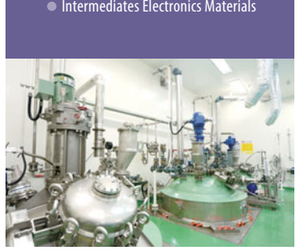
Ordinary Income (Million yen)



Chemical Business

■ Coal Chemicals
- Gas Purification and Basic Chemicals
- Carbon Materials
- Tar Distillation

■ Fine Chemicals
- Agricultural Chemicals Intermediates
- Pharmaceutical
- Intermediates Electronics Materials



Review of FY2014

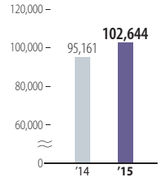
In the Coal Chemicals Business, gas purification experienced robust growth thanks to original efforts in streamlining operations; however, the business environment deteriorated for crude benzene, the group's core basic chemical product, due to the drop in crude oil prices. Meanwhile, sales of carbon materials for the construction industry increased. The Fine Chemicals Business performed well due to factors such as strong demand for electronics materials, which promoted the sales of functional chemical products, the streamlining of operations at manufacturing bases helping to further structural reform, and changes in the procurement of base materials such as quinolones in fine chemicals.

Outlook for FY2015

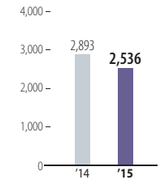
In the Coal Chemicals Business, Air Water will further promote streamlining and widen the application of carbon materials and other products as well as acquire a higher number of new orders. For the Fine Chemicals Business, in addition to building a business capable of withstanding environmental changes by shifting production bases overseas, it will achieve synergistic effects with Kawasaki Kasei Chemicals, which has recently joined the group.

Sales trends by category
(Year ending March 31)

Net Sales (Million yen)



Ordinary Income (Million yen)



Medical Business

■ Hospital Facilities
■ Medical Gas
■ Home Care
■ Medical Services
■ Medical Equipment

Review of FY2014

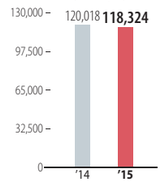
In the Medical Gas segment, efforts to acquire new client hospitals to use Air Water's oxygen gas resulted in a higher sales volume than the previous year. For Hospital Facilities, the company exerted efforts to acquire new customers, placing a focus on large hospitals, and achieved strong results for the most part. It strengthened the Medical Equipment business by enhancing its lineup of infant and child products. For Medical Services, the contract sterilization business grew and revenues improved due to the revision of SPD-related costs, and in the Home Care segment, it launched a new oxygen concentrator.

Outlook for FY2015

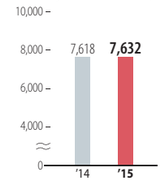
Due to the declining population and rapidly aging society, there is a demand to link services in medical care and nursing care. Amidst this climate, Air Water will continue aiming to provide unique comprehensive services to hospitals through the combined development of five pillars: Hospital Facilities, Medical Gas, Home Care, Medical Services and Medical Equipment. In regards to advanced and acute medical care, Air Water will organically link Hospital Facilities, Medical Services and Medical Equipment to increase its new solution proposals.

Sales trends by category
(Year ending March 31)

Net Sales (Million yen)



Ordinary Income (Million yen)



Energy Business

- LP Gas and Kerosene
- Natural Gas Pipeline Distribution
- LNG Transport and Storage Tanks
- Woody Biomass Utilization Systems
- LP Gas-type Mobile Power Source Cars

Review of FY2014

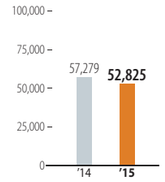
In the key area of LP Gas, imports and the sales price of LP gas were significantly affected by the sudden drop in the price of crude oil, making for a tough business environment overall. However, by focusing Air Water Group strengths on the acquisition of new customers and conversion to industrial fuel, it will be possible to secure a sales volume higher than that of the previous year. Air Water revised the sales structure for kerosene, and for energy-related devices, the sales of hybrid hot water supply and heating systems grew steadily.

Outlook for FY2015

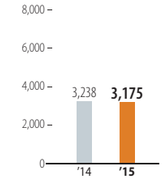
Amidst a significantly changing market environment filled with factors such as intensified competition with power and urban gas companies, and the diversification of purchasing resulting from the mass inflow of shale gas-derived LP gas, Air Water will expand its market by emphasizing the benefits of LP gas as well as offering energy-saving proposals and high value-added services unique to the company. Moreover, primarily focusing on the Hokkaido region, it will increase sales volume by promoting strategies to increase customers and the consumption of LP gas by general consumers, industries and companies.

Sales trends by category
(Year ending March 31)

Net Sales (Million yen)



Ordinary Income (Million yen)



Agriculture and Food Products Business

■ Ham, Delicatessen and Frozen Foods
■ Fruit and Vegetable Juices
■ Fruit / Vegetable Distribution and Processing
■ Agriculture
■ Agricultural Machines and Tools
■ AW-Water (home delivered drinking water)

Review of FY2014

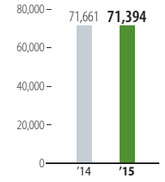
The Ham, Delicatessen and Frozen Foods segment performed well, with factors such as an expansion in the sales of commercial uncured ham (a key product), the launch of new European vegetable products and the opening of a new plant for frozen cakes made from Hokkaido-produced ingredients absorbing the impact of foreign exchange rate fluctuations and a rise in base ingredient costs due to the weaker yen. For the Fruit and Vegetable Juices segment, the situation was harsh due to a drop in sales following the consumption tax hike and temperatures remaining low during the main demand period. The agriculture and processing segments faced harsh conditions in flagship products such as pumpkin due to the poor quality of ingredients after unprecedented bad weather.

Outlook for FY2015

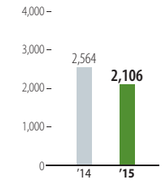
Although the weak yen and poor weather are starting to become deeply-ingrained problems, individual consumption is recovering slowly, and Air Water will aim to improve earnings by stimulating demand in the functional food and health food domains. It will also leverage its base ingredient procurement strength through firm ties with contracted farmers. Simultaneously, it will continue strengthening inter-group collaboration, and increase its efforts to strengthen and expand business through M&A in order to establish an innovative business model that covers all steps, from production to processing and sales.

Sales trends by category
(Year ending March 31)

Net Sales (Million yen)



Ordinary Income (Million yen)



Other Businesses

■ Seawater
- Salt
- Magnesia

■ Logistics
■ Aerosol
■ NV (metal surface treatment)
■ O-rings
■ ECOROCA® (artificial recycled wood)
■ SiC

Review of FY2014

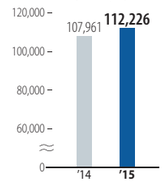
The Salt segment performed strongly owing to factors such as a shift to highly unique products, an increase in the number of new trading partners and the streamlining of energy costs. All aspects of business in the Magnesia segment enjoyed stronger sales, including Air Water's main product of magnesia for high-grade electromagnetic steel sheet. The Logistics segment performed well too, thanks to an increase in transportation volume of items like lumber and livestock feed and revisions in freight prices, as well as a rise in the number of orders for specialty vehicles and a drop in costs due to lower diesel fuel prices. This enabled the company to offset significant cost increases associated with its response to the car shortage and other factors.

Outlook for FY2015

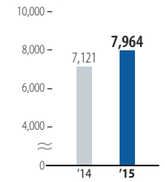
In the Salt segment, Air Water will aim to increase its share of products for discount chain stores and utilize its unique water treatment technologies to create new business in the environment field. For the Magnesia segment, in addition to enhancing the supply system for magnesia used in the production of high-grade electromagnetic steel sheet through operation of the Hibikinada plant, Air Water will also expand production in Dalian. In the Logistics segment, it will broaden its high value-added business utilizing the refrigerated transport infrastructure, which is one of the group's strong points.

Sales trends by category
(Year ending March 31)

Net Sales (Million yen)



Ordinary Income (Million yen)



Special Column

The True Essence of Air Water's Management Stretches Freely Across Unlimited Market Categories

Since its formation 15 years ago, the Air Water Group has worked to put in place an All Weather Management System that is unaffected by changes in the business environment, doing so by transforming the corporate constitution and diversifying business fields.
One of the great strengths of the Group is its portfolio of small- to medium-scale companies that possess unique technologies. We call this the Order Rodentia Style of Business, and promote it as our original management strategy.
Using the analogy of a plane flying through the vast, unlimited sky, the Order Rodentia Style of Business is the power source (engine) propelling the well-balanced, dual-winged All Weather Management System, enabling it to fly higher and longer.

Part 1 Air Water Management Strategies

Establishing a business framework not impacted by changes in business environment in order to achieve stable growth — All Weather Management System

With the aim of achieving an All Weather Management System that enables sustainable growth under any business environment, the Air Water Group has been gradually transforming its business structure in recent years. In FY2009, the first year of NEXT-2020 Ver. 1, industrial businesses such as Industrial Gas and Chemical accounted for the majority of sales. However, in the five years since then, significant growth in non-industrial businesses—businesses involving people—such as Medical, Energy, and Agriculture and Food has further strengthened the All Weather Management System.

Well-balanced Wings All Weather Management System

With our sights set on the needs of the next generation, we will expand our business fields like wings so that we may achieve higher, larger corporate growth. The All Weather Management System is about possessing big wings to make this possible.

The Group's Engine Order Rodentia Style of Business

The Order Rodentia Style of Business is the driving force of our company; in other words, the equivalent of our engine. Each business unit helps one another to powerfully turn the plane's propeller. Moreover, through the acquisition of new technologies, products and diverse business models, the engine power will be boosted and thrust us even further forward, creating growth.

Multiple small power sources combined to create great strength Order Rodentia Style of Business

The Air Water Group is comprised of six primary business divisions—namely our first business, Industrial Gas, plus Chemical, Medical, Energy, Agriculture and Food Products, and Other Businesses—and over 230 regional and independent businesses across Japan that have been added via proactive M&A activities. While our group companies are all small- or medium-sized insofar as operation scale is concerned, these agile and flexible companies have formed alliances with each other in various ways, creating synergies and accomplishing sustainable growth for the Group as a whole. This original management strategy is what we call the Order Rodentia Style of Business.

Furthermore, a unique characteristic of M&A activities at Air Water is that newly incorporated companies are exhibiting significant profit growth. This is undoubtedly due to the business of each company being reborn through structural improvements, allowing the company's unique strengths and features to be maximized, and creating new synergies with the diverse member companies in the Group. To date, our Group has produced numerous original businesses by fusing the management resources of existing businesses and group companies, and enhancing synergies between business fields. On the next page, we will introduce our Seawater business segment as an example of creating an original business model through M&A.

Developing the business of seawater

Pursuing the infinite potential hidden in seawater

Forming a supply chain through an alliance between Tateho Chemical Industries and Nihonkaisui

Taking on the ocean began with our magnesia business

Our business in the Magnesia segment handled by one of our group companies, Tateho Chemical Industries, can be considered the origin of Air Water's diversification strategy. Around 30 years ago, our Group took part in the management of Tateho Chemical Industries and created a foothold in the new field of Seawater.

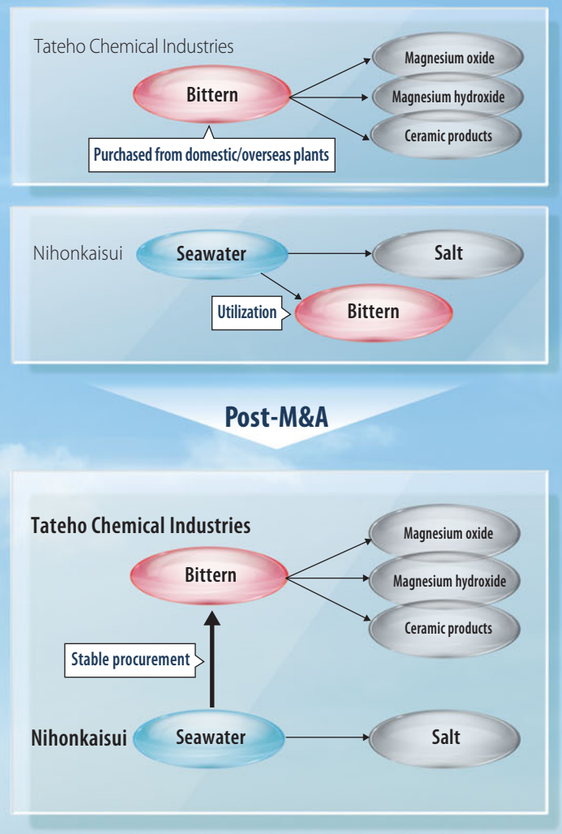
Even with primary operations focused on our Industrial Gas Business, we were looking for business opportunities that combine the use of air and water. We sensed the potential of synergies with Tateho Chemical Industries—whose primary business was magnesia formed using the bittern extracted from seawater—as we were two companies each existing in harmony with nature. At the time the company was formed in 2000, we chose the name "Air Water" specifically because of our strong desire to proactively take on challenges not only in the field of "air," which is mainly about industrial gas, but also in the field of "water," which was opened through business related to magnesia.

Strengthening our business foundation through base ingredients supplied by Nihonkaisui

Our Seawater Business advanced rapidly when Nihonkaisui joined the Air Water Group in 2007. Doors to various new business perspectives opened wide when we welcomed into the Group a company deeply involved with seawater resources and boasting top share in the household and commercial salt markets.

The very first achievement was the formation of a supply chain with Tateho Chemical Industries. Bittern, which is the base ingredient for magnesia, is an important resource created when salt is separated from seawater. It was also a product of Nihonkaisui. By bringing Nihonkaisui into the Air Water Group, we were able to establish a framework to provide Tateho Chemical Industries with a stable supply of domestically produced, high-quality bittern. This strengthened Tateho Chemical Industries' business foundation, which in turn increased production capacity and enabled the company to proactively expand business in the global market.

Tateho Chemical Industries (Magnesia Business) and Nihonkaisui (Salt Business) synergies



Evolution of the seawater-related businesses through synergies with existing businesses

Creation of a unique mineral water business

The synergistic benefits of including Nihonkaisui in the Air Water Group do not stop at magnesia. The new resource of seawater has been complementary to a wide range of businesses in the Group.

One of them is the AW-Water business. By purifying distilled water obtained in the salt manufacturing process using reverse osmosis (RO) membrane and adding bittern-derived minerals, we have created an original business model that enables us to provide comprehensive water supply services beginning with the production of safe, high-quality mineral water from base ingredients.

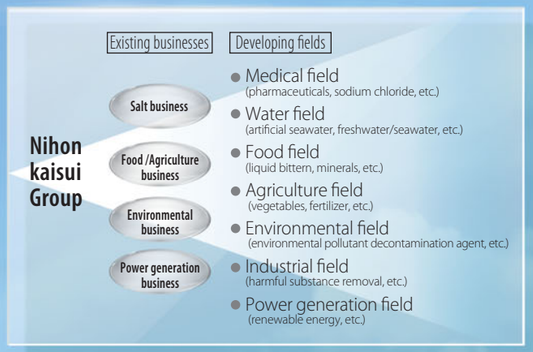
A diversity of new businesses created by seawater resources

Since Nihonkaisui joined Air Water, it has strengthened alliances relating to various aspects such as R&D, purchasing and logistics within the Group, and begun diversifying its own business through the utilization of seawater resources.

For example, in the environmental field, it manufactures a wide variety of products, including magnesium hydroxide for flue-gas treatment and a high-performance absorbent for removing environmental pollutants. Nihonkaisui has also begun a new business of supplying fertilizer manufacturers with potassium chloride—a major ingredient of fertilizer—derived from bittern. We anticipate future synergistic effects in the Agriculture and Food Products Business as well. In addition to these, Nihonkaisui has become involved in the electric power business utilizing the large-scale, in-house power generation facilities owned by each of its salt manufacturing plants, and also began an eco-conscious power production business based on wood biomass-generated power in 2015.

Seawater resources have provided Air Water with the opportunity to expand into a variety of business fields. The Group will continue to pursue the infinite potential hidden in seawater.

Current businesses and future developments of the Nihonkaisui Group



Nihonkaisui's Agriculture and Food Products Business


Select seaweed from the Sea of Ariake


Farm in the Sanuki Factory

Various possibilities hidden in the seawater industry

The oceans are the source of all life. They contain many valuable resources that can be utilized in all industrial fields, such as food, agriculture, chemicals, environment and energy.


Salt for household / commercial-use


Mineral water


Potassium chloride

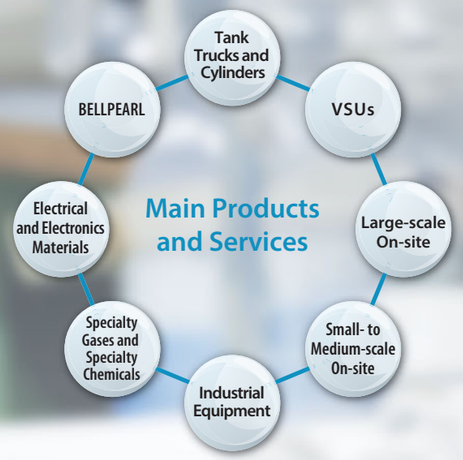

Magnesia


Environmental pollutant decontamination agent

Industrial Gas Business

The idea of making and delivering its own gas to customers has been highly valued by the company since its founding. Based on this concept, Air Water uses air separation to supply a diverse range of industrial gases to society, including oxygen, nitrogen, argon, carbon dioxide, hydrogen and helium. These industrial gases are utilized in a myriad of manufacturing fields such as steel, chemical, electronics, and glass, and serve essential roles in areas such as medicine, agriculture and food.

From gas manufacturing technologies such as cryogenic air separation, PSA and membrane separation to container and storage technologies, transportation technologies and plant engineering technologies, the Air Water Group has functions and technological prowess covering a broad scope. From on-site supply, in which a stable gas supply is ensured by installing a gas plant within the customer's facilities, to small-scale supply using gas cylinders, Air Water offers a flexible supply framework that enables it to provide gas via the optimal method to suit individual customer needs.




Gas cylinder ①


Tomakomai Kyodo Oxygen, VSU ②

TOPICS

Kashima Plant commences operation of large cryogenic air separation plant

The Kashima Plant completed construction of a large cryogenic air separation plant incorporating cutting-edge systems and technologies, and commenced operations in July 2015. The Kashima Plant has been supplying gas to ironworks and argon gas to a broad range of manufacturing industries as the largest manufacturing base of argon gas in Japan. The new plant boasts the highest oxygen-producing capacity of the Air Water Group, at 35,000Nm³/h. The group's R&D center, Engineering Division and other departments worked closely with Kashima Plant in developing, designing and fabricating the cryogenic air separation plant, leveraging innate knowledge and know-how to achieve high environmental performance.


Kashima Plant – Plant No. 8

① Tank Trucks and Cylinders

Air Water has built a solid nationwide distribution network that ties its gas production facilities and filling stations to its regional business companies. From the meticulous supply of single cylinders for small-scale demand to the stable supply of gas cylinder bundles, PLC (ultralow-temperature liquefied gas containers), and liquefied gas tank trucks for medium-sized demand, Air Water delivers gas in a manner that is optimally suited to quantity and usage needs.

② VSUs

The VSU high-efficiency, compact liquefied gas production plant is a unique Air Water business model based on the concept of "production in appropriate quantities near those areas where there is demand, and delivery by short-distance transportation," enabling local supply for local demand through partnerships with dealers in each area. The VSU plants in 12 locations throughout Japan form an industrial gas supply network that is highly resistant to disasters, create a safe and stable supply system, and help cut CO_2 emissions in gas transport.

③ Large-scale On-site

Large-scale gas production plants are constructed on-site at the production facilities of steel, chemical, semiconductor, and other manufacturers that require a large, continuous supply of industrial gas. Gas from these plants is safely and efficiently supplied to users via pipes. The on-site plants located throughout Japan that are run directly by the Air Water Group, along with the VSU plants, are also used for producing liquefied gas for outside sale. State-of- the-art technologies are implemented to ensure highly efficient gas production at all times.

④ Small- to Medium-scale On-site

Small- to medium-scale gas generators supply on-site gas to users in electronics, glass, paper and pulp, and other industries with medium-scale demand. Air Water offers a broad lineup of gas generators developed in-house to meet its customers' needs, including the V Series, which produces highly pure nitrogen, oxygen, and hydrogen, cryogenic air separation generators, and PSA generators that do not use cold energy or catalysts.

⑤ Industrial Equipment

Air Water offers all types of industrial equipment, including those required for argon gas for welding shields. Through the sale of equipment and tools used at manufacturing sites, Air Water provides welding solution services that revolve around the ELNACKS® shielding gas for high-purity and high-quality steel plate welding that boasts the highest market share in Japan, and the AW-Shield, which is a shield gas for welding stainless steel and aluminum.

⑥ Specialty Gases and Specialty Chemicals

Air Water procures specialty gases, highly pure chemicals, and organic metal materials used in processing for the semiconductor, liquid-crystal panel, solar cell, LED and other cutting-edge fields from overseas manufacturers, and provides them to users after rigorously checking them for quality. High-quality, high-purity ammonia and hydrogen selenide are manufactured in Japan.

⑦ Electrical and Electronics Materials

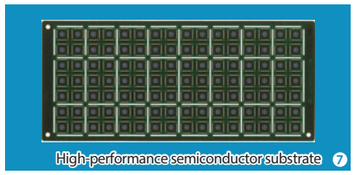
Inoueki Co., Ltd. and Abe Denzai Co., Ltd. merged to form Air Water Material Co., Ltd., a trading company specializing in electrical and electronics materials. Air Water Material procures products from around the world to solve the diversified problems and needs of its customers, adding any processing required at the request of the customer before delivery. Printec Corporation manufactures and sells high-performance semiconductor substrates and flexible substrate adhesives.

⑧ BELLPEARL

Air Water Bellpearl Inc. manufactures and sells a variety of products including BELLPEARL® functional resin, BELLFINE® electrode material for power storage devices, and ATEC® electrode sheets. It has also developed BELLSWING®, a PSA-type nitrogen gas generator that uses BELLFINE® as its adsorbent, which it sells to domestic and overseas users.


Senboku Oxygen Co., Ltd., V3 ③


ELNACKS® gas for welding shields ⑤


High-performance semiconductor substrate ⑦


V1 high-purity nitrogen generator ④


Specialty gas supply module ⑥


Functional resin BELLPEARL® ⑧

Chemical Business

Air Water's Chemical Business is based on a close relationship with the steel manufacturing industry that was built up by supplying industrial gas. This business is centered around the Coal Chemical segment, in which chemical products with high added-value are created from coke oven gas and coal tar supplied from steelworks, and the Fine Chemicals segment, in which high-grade products are produced from tar distillation products and organic compounds using superior synthesizing technologies. These business segments produce a number of different chemical products that are then used in all aspects of society, from resins and rubbers to fertilizers, agrochemicals, pharmaceuticals and electronics materials.

In 2015, Air Water welcomed Kawasaki Kasei Chemicals into its group, further expanding business areas and technological scope. It will continue striving to develop original products that meet the needs of its customers based on the wealth of knowledge and know-how it has acquired to date.

TOPICS

Addition of Kawasaki Kasei Chemicals Strengthens Air Water Group

With the aim of further strengthening and expanding the Chemicals Business, Air Water welcomed a new consolidated subsidiary, Kawasaki Kasei Chemicals, to its group.

Being the only company in the world that can commercially produce quinone-based products, Kawasaki Kasei Chemicals possesses superior technologies and a diverse lineup of functional chemicals that is believed will greatly benefit the Fine Chemicals Business. Kawasaki Kasei Chemicals is also the leading Japanese manufacturer of phthalic anhydride, and synergistic benefits with the Air Water Group will become evident at an early stage.

Kawasaki plant

Coal Chemicals

1 Gas Purification and Basic Chemicals

Coke oven gas that is produced as a byproduct in the manufacturing of coke, a blast furnace fuel at steelworks, is separated and refined in order to directly supply steelworks with the purified gas (fuel gas) essential for blast furnace operation. Furthermore, basic chemicals such as crude benzene and ammonium sulfate are also produced in the purification process. These products are useful to society as raw materials for a wide variety of industrial products, including resins, solvents, agricultural fertilizers, and synthetic fibers.

2 Carbon Materials

Coal chemical technologies are applied to the development of carbon products with high added-value that are then released into the market. Air Water is the only domestic manufacturer of thermally expandable graphite, or TEG, one of its core products. TEG is used in applications such as seal material for vehicle engines and exhaust gas pumps, and as a flame retardant for building materials. In addition, Air Water's hydrocarbon resin, FR, is highly compatible with rubber and resin, and used as a binding agent for vehicle tire rubber.

3 Tar Distillation

C-Chem Co., Ltd., a joint venture with Nippon Steel & Sumikin Chemical Co., Ltd., is a dedicated tar distillation company with one of the top production capacities in Japan. The company uses coal tar provided by Air Water as a raw material to manufacture tar-derived products such as needle coke for electric furnace electrodes, naphthalene and phthalic anhydride, which are supplied to the global market.

Fine Chemicals

4 Agricultural Chemical Intermediates

As a top global manufacturer of quinolines, indoles, and other heterocyclic compounds, Air Water provides a multitude of compounds to meet the derivative development needs of agrochemical manufacturers around the world—not only in Japan, but also in Asia, the Americas and Europe. These compounds are used as raw materials for the production of many types of agrochemical products such as fruit germicides, plant growth promoting agents and herbicides.

5 Pharmaceutical Intermediates

Air Water makes full use of its multipurpose synthesizing plants (Air Water Kashima Plant, Sun Chemical Co., Ltd.) to produce a diverse array of pharmaceutical derivatives by commissioning production. The plants feature advanced synthesizing technologies and meet GMP standards, and meet the highly varied needs of major pharmaceutical manufacturers and other customers. The raw pharmaceutical materials and pharmaceutical intermediates are turned into anticancer drugs, anti-allergenic drugs, nutritional supplements, cough suppressants, eye drops, angiography contrast agents and many other pharmaceutical products that broadly serve the medical care field.

6 Electronics Materials

Liquid air oxidation, nitration, and other advanced polymide synthesizing technologies are utilized to manufacture functional polymer products at Air Water's Kashima Plant and its joint-venture company in China (Air Water-Richap Chemical). These products are used in applications such as semiconductor sealant and photoresist. SK Resin—a thermosetting phenolic resin—is a core Air Water product that commands a domestic market share of roughly 30% as a semiconductor sealant in the high-end segment. It is available in a broad range of grades.

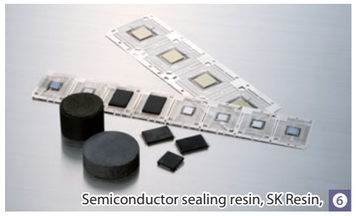
Chemical plant of Kashima Plant 1

Needle coke used as a base material for electric furnace electrodes 3

GMP plant of Kashima Plant 5

TEG used as a flame retardant 2

Agricultural chemical intermediates 4



Semiconductor sealing resin, SK Resin, 6

Medical Business

Providing a stable supply of medical oxygen and all other types of medical gas at all times—this is the absolute mission of Air Water's Medical Business. Air Water safely and reliably delivers medical gases to healthcare institutions through its own infrastructure to protect the lives of patients. Air Water is greatly expanding the range of its Medical Business to cover everything from the import and sale of medical instruments such as infant and child ventilators and incubators to the design and construction of operating rooms, ICUs, and other hospital facilities, medical services such as SPD (hospital supply, processing and distribution) and contract sterilization, and services that are directly linked to patients, such as the homecare business.

It is through such diverse businesses that Air Water is able to offer its customers suitable solutions for the many challenges faced by those in the frontlines of healthcare. Air Water will continue enhancing the quality and volume of services in the Medical Business category, which is an important pillar of its growth strategy.


Medical gas outlet ①


Medical oxygen gas ②

T O P I C S

Material using TOTO technology adopted for the walls of operating rooms

In April 2015, newly commercialized large ceramic panels utilizing TOTO Ltd. Hydro-Tuff technology were adopted as the wall material used in "Amhouse", which offers a high degree of freedom to layout necessary devices and equipment in hospital operating rooms. As well as providing lasting antiviral and antibacterial effects, Hydro-Tuff is resilient against scratching and soiling, receives minimal damage due to aging such as discoloration by chemicals, and makes it possible to propose clean and robust operating rooms with high added value.


Hydro-Tuff

① Hospital Facilities

Air Water Safety Service Inc., Miwa Electric Medical Co., Ltd., and Seiken Medical Co., Ltd. collaborate together and combine each of their strengths to provide one-stop solutions covering everything from planning to design, manufacturing, construction, and maintenance for medical gas piping and other gas supply facilities and hospital facilities that require advanced technologies such as operating rooms that play a central role in hospitals, intensive care units (ICUs), coronary care units (CCUs), and neonatal intensive care units (NICUs) based on many years of experience and the latest technologies.

② Medical Gas

As the top supplier of medical gas, Air Water supplies a variety of medical gases, such as medical oxygen that is a core product, nitrous oxide (laughing gas) used as an anesthetic, helium for MR imaging, and sterilization gas used in medical instrument sterilization, to medical institutions across Japan. For medical oxygen, which is required to be in steady supply, Air Water has established an extremely reliable, stable supply system comprising VSUs and other manufacturing and distribution hubs, and a transportation network that stretches across the entire country. It has also built a remote monitoring system based on in-house development that enables 24-hour-a-day, 365-day-a-year assessment of the state of the medical gas supply and facilities in real time at a monitoring center.

③ Home Care

In 1982, Air Water became the first to import medical household oxygen concentrators and launch a Home Care Business in Japan. Since then, it has expanded its range in this field to include in-house developed and manufactured medical household oxygen concentrators, homecare artificial ventilators, devices for treating sleep apnea syndrome, and even mechanical in-exsufflators. Air Water will continue to enhance and expand its Home Care Business, including the development and production of equipment, and provision of assistance and detailed support to homecare patients.


Medical household oxygen concentrator, Konatsu 3 SP

Portable HPN pump, Cafty® Pump S ③


Nagasaki Sterilization Center of Nishi Kyushu Medieth ④


Hyperbaric oxygen chambers ⑤


Infant and child ventilator, Fabian HFO Series ⑤

④ Medical Services

Through the SPD service, which involves accepting contracted responsibility for the logistics management of all pharmaceuticals and medical instruments within a hospital, the contract sterilization service, which involves the sterilization of medical instruments, and other services, Air Water helps create an environment where hospital staff can focus on providing healthcare services. It offers flexible contract sterilization services with the option of having specialized staff visit hospitals to conduct high-quality sterilization on-site and the use of contract sterilization centers located across the country.

Furthermore, in March 2015, MC Service Co., Ltd., which specializes in the maintenance of medical instruments and medical equipment, joined the Air Water Group, making it possible for the group to offer even more advanced solutions.

Home care and nursing care products are available for sale and rent as a regional medical care service, and Air Water has begun running nursing care and welfare facilities that combine the diverse technologies and expertise of the Group.

⑤ Medical Equipment

In the Medical Equipment sector, Air Water has expanded its range to include hyperbaric oxygen chambers, in which it has a high domestic market share, and other ventilator-related equipment that is closely connected to medical gas, as well as cardiovascular, dialysis, nursing care, dental, and other medical instruments for which it offers distribution and maintenance services. In particular, it boasts strengths in medical equipment related to infant/child/perinatal care. In the neonatal segment, it offers inhalation therapy based on INOflow® nitric oxide pulmonary vasodilators and INOvent® as a device for administering the gas. Moreover, it is now selling the Fabian Series ventilator, and carefully selects other superior medical equipment from around the world and introduces them to the Japanese market.

As one of its nursing care instruments, Air Water manufactures and sells the "Viami®" series of shower equipment for nursing care use, enabling comfortable showering for both the care receiver and the caregiver. It also conducts a number of other wide-ranging businesses such as the manufacturing of metal and resin materials for use in dentistry, and their fabricating equipment as well as hypodermic needles.

Energy Business

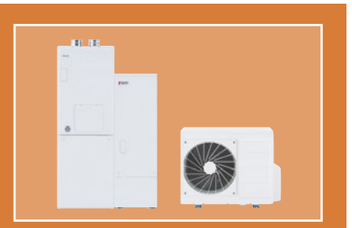
Air Water's Energy Business started in 1955 in Hokkaido with sales of LP gas, and the business has grown steadily ever since. The LP gas field that is at the core of the Energy Business utilizes Air Water's solid brand strength cultivated over many years and numerous distribution and marketing hubs scattered throughout Hokkaido, eastern Japan, and central Japan to provide a wide variety of services that are closely linked to local industries and local people's lives.

Additionally, in the field of liquid natural gas (LNG) that is garnering increasing interest as a clean energy with a smaller environmental load than petroleum and coal, Air Water is pursuing engineering business that includes providing containers for transportation using cryogenic technology. It is further actively exploring new concepts with its distinctive technologies, such as distributed energy systems, mobile power source cars with LP gas generators, wood biomass utilization systems, and snow and ice cryogenic energy systems that efficiently utilize the cold energy of snow, and show great promise for energy conservation and disaster control.

TOPICS

VIVIDO hybrid hot water and heating systems sales surpass 2,000

The sales of VIVIDO, which was officially released into the market during 2010, have exceeded a cumulative total of 2,000 over the past five years. The entire company worked together as one to create demand for the product under the slogan "LPG for heating in Hokkaido." VIVIDO is contributing to increased consumption of LPG as a source of clean energy particularly in general households. Moreover, the utilization share in new house construction has risen to around 7%, and the group will continue working to increase the utilization percentage in the future.


VIVIDO hybrid hot water and heating system

① LP Gas and Kerosene

Air Water delivers fuel energy that is indispensable for communities and industries—including everything from use in households and companies to industrial use and use in vehicles—through the Hello Gas brand that is available widely across Hokkaido, as well as in the Tohoku, Kanto, Chubu and western Japan regions.

The LP gas supplied to customers is distributed from Air Water's secondary facilities (large-sized LP gas storage tanks). Air Water has established an alliance framework that enables it to provide comprehensive services, from filling to delivery. In recent years, it has also been focusing on fuel conversion from the perspective of finding the optimal energy mix, proactively proposing a shift away from heavy oils to industrial customers, and its VIVIDO hybrid hot water and heating system to regular customers.

In addition to the sale of LP gas-related products, Air Water also offers customers community-based lifestyle solutions such as residential renovation solutions, water delivery and nursing care equipment.

② Natural Gas Pipeline Distribution

Natural gas from the Yufutsu gas field in Tomakomai, Hokkaido, which boasts some of the largest reserves in Japan, is pumped down Air Water's own gas pipeline to the Chitose Natural Gas Distribution Center in the Chitose Rinku Industrial Complex to provide a stable supply to companies in the industrial park.

③ LNG Transport and Storage Tanks

Air Water is a domestic pioneer in LNG transport and storage tank technology. In the field of LNG transport equipment, it offers LNG transportation containers that it has developed to meet a wide range of transportation needs, including monocoque tank trucks that are specialized for high-volume inland transport, inland and marine transportation tank containers, and inland and rail transportation tank containers. Air Water also utilizes the cryogenic technologies and expertise it has cultivated in the Industrial Gas Business for its LNG storage tanks to provide advanced engineering services for the actualization of optimized LNG satellite hubs (storage and vaporization delivery facilities) that match user needs, from the selection of storage tanks to facility layout.

④ Wood Biomass Utilization Systems

In August 2015, Air Water commenced construction of an energy center featuring a cogeneration facility that will utilize locally sourced wood biomass with the aim of supplying energy for vegetable cultivation to Azumino Farm, which is operated by our agricultural branch, Air Water Farm Agricultural Production Corporation.

This will reduce energy costs involved in cultivation by supplying hot water to Azumino Farm. Air Water is also considering using the carbon dioxide emitted in the combustion process for the photosynthesis of tomatoes grown at the farm. Moreover, by utilizing wood biomass, it is believed that it will be possible to contribute to regional promotion through the efficient utilization of forest resources in Nagano Prefecture.

⑤ LP Gas-type Mobile Power Source Cars

The lineup of LP gas mobile power source cars includes a container trailer that can supply 100 kW of LP gas-generated power—the power consumption of about 40 ordinary households—a compact light vehicle (9.8 kW capacity) that offers excellent mobility and mountable 50 kW and 9.8 kW power generation units consisting of a power generator mounted on a truck. Air Water will continue equipping its LP gas filling stations with the vehicles as part of its business continuity plan for disasters, increase sales of the vehicles to companies and municipalities for use as emergency power sources, and promote utilization by major fuel suppliers.


LP gas ①


Chitose Natural Gas Distribution Center ②


Azumino Wood Biomass Energy Center (tentative name) exterior perspective ④


LP gas supply equipment for use in disasters ①

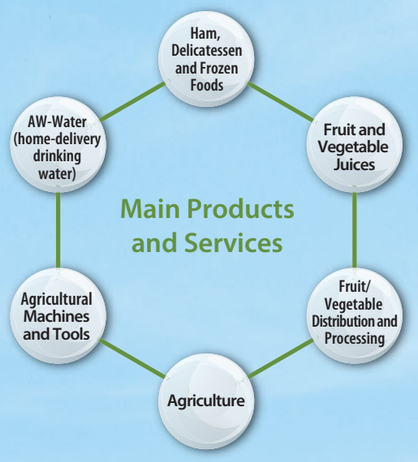

15.7-ton LNG tank truck with one of the largest LNG shipping capacities in Japan ③


LP gas secondary facilities and a 100 kW mobile power source vehicle ⑤

Agriculture and Food Products Business

Air Water's "food" business began in the 1980s with the manufacturing of farm and marine product-based frozen foods that effectively utilize the cold energy of liquid nitrogen. Since then, Air Water has expanded its business in this category to ham, delicatessen products and other chilled food products, as well as originally developed cooking sauces and sweets. In 2009, it established Air Water Farm Agricultural Production Corporation and launched full-scale into the agriculture field with the production of high-quality vegetables at solar-powered vegetable plants.

Air Water continued to actively pursue M&A and add new fields to its repertoire including the distribution and processing of fruit and vegetables, and the manufacturing and selling of non-alcoholic beverages. In 2012, Air Water launched the Agriculture and Food Products Business as a new business segment. Going forward, Air Water will seek synergies between the segment's varied businesses and its existing businesses to create a revolutionary food business aimed at the establishment of a sixth industry that encompasses the first three. It will develop this category into a new growth pillar.



T O P I C S

New line for desserts begins at Otaru Plant (Saveur SS Inc.)

Saveur SS Inc. transformed its Otaru Plant, where they previously processed uncured ham and other products, into a plant exclusively for frozen cakes and began operations in August 2014. The company strengthened its production system after receiving requests from trading partners who sell frozen cakes asking for more cakes that use Hokkaido-produced ingredients, such as milk, flour and sugar. The Otaru Plant will continue to proactively introduce products high in added value with a focus on Hokkaido ingredients.

Saveur SS Inc. Frozen cake

1 Ham, Delicatessen and Frozen Foods

Saveur SS Inc. offers three brands: Saveur commercial frozen food ingredients that have received great acclaim from hotels and upscale restaurants in Japan, Syunsetsu ham and delicatessen products for the general consumer market, and Sagami Ham, which has strong brand prestige in Kanagawa Prefecture and the surrounding southern Kanto region. In addition to its uncured ham, which boasts the top share in the domestic market, it offers a broad range of high-quality frozen foods such as broccoli and asparagus that retain their taste and freshness through cryogenic technology.

The company is also working actively to take on new fields such as cooking sauces and Hokkaido sweets.

2 Fruit and Vegetable Juices

Gold-Pak Co., Ltd. has provided high-quality beverages such as fruit juices, vegetable juices and natural spring water for many years. It continues producing highly reliable products made from domestic ingredients and with great consideration given to both taste and safety.

To further its growth, it widened its territory that began in Nagano, to include Hokkaido and Aomori in 2014, launching new developments. The fresh crops of Shinshu, the varied vegetables and rich nature of Hokkaido and the apples that comprise the brand equity of Aomori—Gold-Pak will use this new platform to continue creating popular products by utilizing agricultural processing technologies that bring out the intrinsic great taste of natural ingredients while treasuring the universal value of agriculture, based on the philosophy of "Complete devotion to great flavor."

3 Fruit/Vegetable Distribution and Processing

Tomiichi Co., Ltd. has signed cultivation contracts with over 250 farmers in Hokkaido. The company offers nearly 20 different types of seasonal fruit and vegetables, including potatoes, pumpkins, and daikon radishes that have been nurtured under the natural bounty of Hokkaido, as well as frozen vegetables and other processed foods to major food product manufacturers and other customers around the country. The company is drawing on its synergies with another Hokkaido-based company, Hayashiya, that is strong in the frozen vegetable field for its pumpkin, sweet corn and other products, and is working to build a powerful supply chain. The original technologies, expertise and wide-ranging distribution network of Tomiichi Co., Ltd., which carries out all steps from raw material procurement to processing, freezing and inspection all on its own, greatly contributes to the creation of a new value chain in the Agriculture and Food Products Business category. Moreover, in September of 2015, KYUSYUYA CO.,LTD. was newly incorporated into the group.

4 Agriculture

Air Water Farm Agricultural Production Corporation operates two farms: the Chitose Farm, which produces fresh tomatoes and leafy vegetables in one of Japan's largest greenhouses, and the Azumino Farm, a base for tomato production in Nagano Prefecture.

These farms automatically regulate greenhouse temperature, sunlight, irrigation and other environmental factors via a compound environmental control system to create an environment that suits the cultivation of vegetables, allowing for a stable year-round supply of safe, high-quality vegetables. In addition, Air Water exploits its merits as an industrial gas manufacturer to the fullest extent, for example by supplying carbon dioxide gas for vegetable cultivation through the Air Water Group and controlling the CO_2 concentration in the greenhouse to create the optimal state for growing vegetables.

5 Agricultural Machines and Tools

Nichinoki Seiko Co., Ltd. and Hiroshi Industrial Co., Ltd. manufacture and sell all types of agricultural machines and tools. Each company offers its own distinctive products and services, and makes maximum use of the business network to strengthen and expand synergies with the Air Water Group.

6 AW-Water (home-delivery drinking water)

AW-Water manufactures and sells mineral water that is purified by reverse osmosis (RO) membrane filtration, clear distilled water obtained in a salt purification process with the company's own marine-derived minerals added, and spring water that is high-quality groundwater from Japan's Northern Alps. These products are distributed by delivery service to homes and offices along with a water-cooler developed in-house.

Saveur products (commercial use) 1

Tomiichi Co., Ltd. 3

Air Water Farm Co., Ltd. 4

Gold-Pak Co., Ltd. products 2

KYUSYUYA CO., LTD. 3

AW-Water North Alps Spring Water 6

Other Businesses

Management at Air Water is based on the Order Rodentia Style of Business. It is the Other Businesses segment that embodies the essence of this style. With one-of-a-kind technological prowess and product and service capabilities, these small- and medium-scale business segments possess unique technologies and support the sustainable growth of the Air Water Group. Highly creative businesses are emerging one after the other as a result of a diversity of businesses creating synergies with existing businesses and other group companies. Such businesses include the Seawater segment where high-quality salt products are developed based on seawater resources and magnesia products are made utilizing unique technologies, the Logistics segment that provides an advanced level of services based the low-temperature transportation technology accumulated in our Industrial Gas Business, the Aerosols segment that serves diverse markets via OEM, and the NV segment where unique metal surface treatment technologies are utilized.


General household salts 1


Lifemag 1

T O P I C S

Launch of power generation business using wood biomass (Nihonkaisui, Co., Ltd.)

Nihonkaisui, Co., Ltd. built a power station facility at its Ako Plant and began operations in April 2015. A large amount of electricity is required to manufacture salt; therefore, the company had already owned its own power generation facility. However, it increased the generation capacity through upgrading work, using the opportunity to begin the business of selling power as well. The new facility makes the environment its top priority, and is contributing to the environment and society from multiple angles, including shifting from fossil fuel to wood biomass, significantly reducing CO_2 emissions, reducing NOx and SOx emissions, and promoting the local forestry and timber industry.


Biomass power generation facility

1 Seawater (Salt / Magnesia)

<Salt>
Nihonkaisui, Co., Ltd., a comprehensive manufacturer of salt that commands the leading market share in Japan, develops a variety of salt products, from table salt and food-processing salt manufactured at the Ako and Sanuki plants to snow-melting salt and boiler salt. It also makes active use of seawater resources and technologies to offer environmental products, such as the READ-F adsorbent for water and soil treatment, and magnesium hydroxide. It is working to expand its business range to cover fields such as potassium chloride and other agricultural businesses, the electric power business, and the sewer pipe reclamation business.
<Magnesia>
Tateho Chemical Industries Co., Ltd., an international magnesia brand, uses one-of-a-kind technology to produce highly functional, high value-added magnesia compounds and ceramic products that have seawater-derived bittern and mineral magnesium as their primary ingredients, and supplies these products to a wide range of industries. In particular, it distributes magnesia for high-grade electromagnetic steel sheets that are indispensable for the electricity infrastructure.

2 Logistics

Air Water Specialized Transportation Inc. utilizes the fine, low-temperature transport technology developed in Air Water's Industrial Gas Business to offer "food product logistics" that maintain freshness through meticulous temperature regulation and "medical logistics" involving the transport of blood (blood plasma) collected at blood centers around the country. In the General Cargo segment, it offers a plethora of services to meet customer needs, from container transport to transportation of small- and medium-sized cargo lots through shared distribution channels and 3PL. It also designs and manufactures specialty vehicles that are optimized for each individual purpose.

3 Aerosol

Air Water Sol Inc. has the advantages of a production system based on three highly specialized plants in Japan and a research and development capacity that covers numerous fields. It supplies a diverse range of aerosol products via OEM, including everything from coating materials and automotive parts to cosmetics, quasi-drugs, and household commodities. It is also working to strengthen the development of products such as UV protection sprays and disinfectant and washing solutions under its own brand, and to reform its business structure, for example, by entering overseas markets and adding a liquid filling company to the Group.

4 NV (metal surface treatment)

Air Water NV Inc. uses its own unique metal surface treatment technologies to provide solutions such as NV nitriding, which provides high-quality surface treatment for steel materials, and Pionite, which increases the hardness of stainless steel without compromising corrosion resistance. It is developing and expanding its business not only in Japan but also in regions of China and Southeast Asia.

5 O-rings

Air Water Mach Inc. manufactures and sells all types of seals such as JIS standard rubber O-rings and rubber products for industrial use. It offers a lineup of its own finished products for various industrial fields, including ultrahigh-performance rubber O-rings for semiconductors and LCD manufacturing systems. Moreover, it is leveraging its technological strengths to expand production and sales in the growing markets of China and Southeast Asia.

6 ECOROCA® (artificial recycled wood)

Air Water ECOROCA Inc. manufactures and sells ECOROCA®, a new compound, recycled material made from used wood and plastic. This eco-friendly construction material with a low environment load that provides superior durability and safety together with the natural feel of wood is being used more and more in public facilities and other places.

7 SiC

Air Water has developed its own SiC substrate for products such as power semiconductors and super luminosity LEDs, and began supplying substrates to domestic and international customers. Air Water is the first in the world to successfully establish a technology for large-diameter substrates of up to 8 inches and mass produce the substrates as the most suitable for the growth of GaN (gallium nitride).


Container transport method 2


NV processing of automotive parts 4


ECOROCA® 6


Air Water Sol brand Aerosol products 3


Rubber O-rings 5


SiC substrates 7

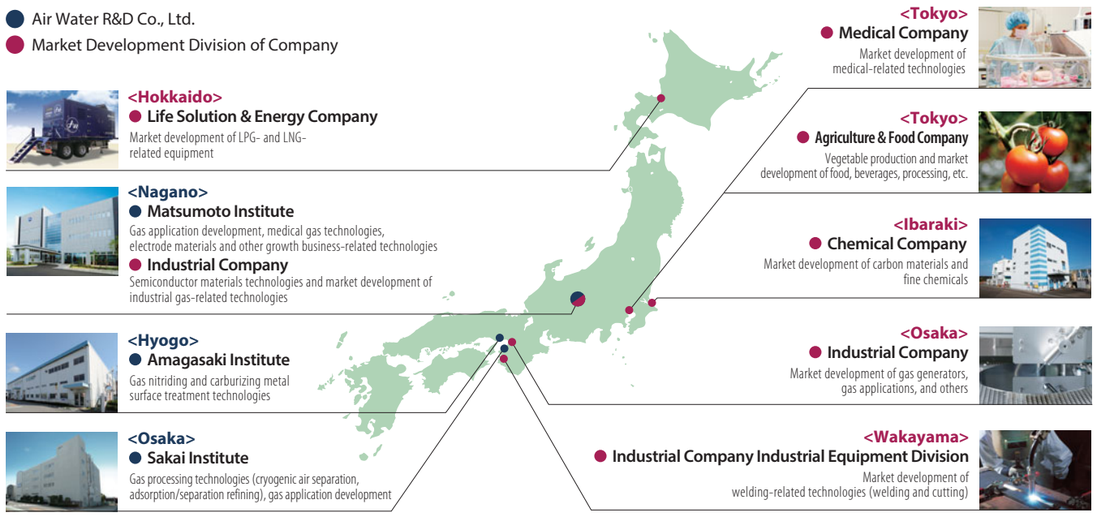
Swiftly transforming research accomplishments into business and creating next-generation growth with speedy and innovative technological development

Air Water R&D Co., Ltd. serves a primary role in the R&D activities of the group. It closely liaises with the development departments of each group company towards the goal of generating strong synergistic results and developing innovative technologies that ultimately lead to the emergence of original, competitive products which fit Air Water's business strategies, thus creating new businesses and strengthening existing ones.

Moreover, for the sake of flexibly responding to the diversified technological challenges emerging as the result of technological developments aimed at energy innovation and the expansion of lifestyle businesses involving people, it proactively utilizes open innovation with universities, companies and so on. This collaboration will speed up the development process and enable research accomplishments to be achieved faster.

Research and development fields

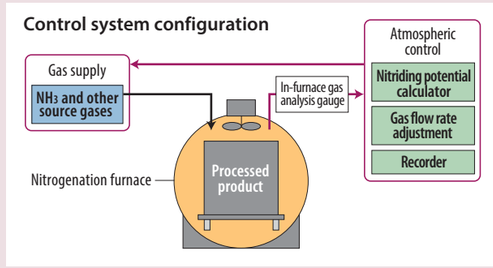
- Gas processing technologies
- Gas collection and recycling technologies
- Gas application technologies
- Welding technologies
- Electronics materials technologies
- Plasma surface treatment technologies
- Fine chemicals and new materials technologies
- Functional resin materials technologies and carbon materials technologies
- Medical-related technologies
- Metal surface treatment technologies
- Collagen application technologies
- Agriculture- and food-related technologies



Major R&D Results for FY2014

Nitriding Control System

Air Water has developed an atmospheric control system for use when nitriding metal parts that can realize the stable control of hardened layers as needed by controlling the composition of the gas inside the furnace. This system has not only improved quality but also made it possible to significantly reduce gas consumption. Through methods that minimize costs and paying particular attention to product specifications, Air Water will further increase its competitive edge.

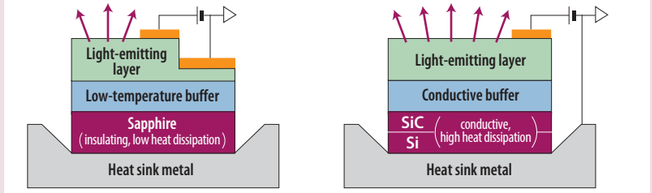


LNG Pump

Air Water's standing centrifugal low-temperature liquefied gas pump features a long operating life and a compact, lightweight, low-noise and leak-free design with excellent maintenance efficiency. This innovative pump is now suitable for use with LNG. It will be combined with existing LNG satellite and LNG tank trucks to make Air Water a leading company in the LNG supply chain.

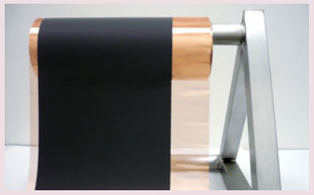
Large Surface Area Vertical GaN-LED utilizing a SiC/Si Substrate

In the lighting market, LED lights with higher output and larger surface area are in even higher demand. In contrast to horizontal LED structures which utilize the conventional sapphire substrate, Air Water has developed a technology to form a vertical GaN-LED on a SiC/Si substrate which has good heat dissipation and conductivity, thus enabling a vertical LED with a light-emitting surface area approximately 100 times (3mm×3mm) that of normal lights.



Negative Electrode Material for Lithium-ion Capacitor

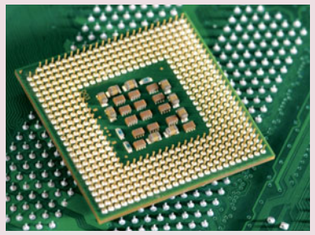
Air Water Bellpearl Inc. used its particulate phenol resin, BELLPEARL®, as a base material to develop negative electrode material for high-performance lithium-ion capacitors, which were then commercialized by AT Electrode Co., Ltd. The product will be introduced to power storage devices for high-output applications where rapid charging and discharging are necessary.



Coated electrode, ATEC® (AT Electrode product)

Functional Resin for Electronics Materials

Leveraging its strength in design technology for phenol curing agents, Air Water has developed a curing agent that offers both high heat resistance and a low dielectric constant for use on epoxy resin package substrate build-up films. A substance patent is pending for this curing agent. As a functional resin for electronics materials, it will be introduced for low-conductive substrate materials and other applications.



Package substrates

Organization Chart (As of August 1, 2015)

- The Board of Directors
- The Board of Auditors
- Chairman Emeritus
- Chairman & CEO
- President & COO
- Overall Technology Officer
- Public Relations & IR
  - Secretariat
- Internal Auditing
  - Compliance Center
- Corporate Planning
- Group Business Planning
- Overseas Affairs Office
- Procurement
- Human Resources
- Financial Affairs
- Corporate Management
- Accounting
- Information Systems
- General Affairs
- Legal Affairs
- Air Water R&D Co., Ltd.

- Industrial Company
  - Electric Power Strategy Dept.
  - Logistics Strategy Dept.
  - SIC Division
  - Market Development
  - Planning & Administration
  - Operations Management & Quality Assurance
  - Industrial Gas Div.
    - Air Separation Gas Dept.
    - Plant Gas Dept.
    - Hydrogen Gas & Specialty Gas Dept.
  - Industrial Equipment Div.
  - On-site Div.
    - Operation Dept.
    - Manufacturing & Technology Dept.
    - Production Control Dept.
  - Overseas Business Development
  - Electronics Div.
    - Bulk Gas Dept.
    - Specialty Materials Dept.
  - Engineering Div.
- Chemical Company
  - Market Development
  - Planning & Administration
  - Production & Safety Technology Dept.
  - Coal Chemical Div.
    - Basic Chemical Dept.
    - BTX Dept.
    - Fine Chemical Dept.
  - Fine Chemical Div.
    - Fine Chemical Sales Dept.
    - Fine Chemical Manufacturing Dept.
- Medical Company
  - OR Solutions Div.
  - Planning & Administration
  - Medical Compliance Div.
  - Hospital Support Div.
  - Home Medical Care Div.
  - Medical Gas Div.
  - Medical Equipment Dept.
  - Quality and Safety Div.
  - Welfare & Nursing Service Div.
- Life Solution & Energy Company
  - Market Development
  - Planning & Administration
  - Energy Related Business Div.
  - Energy Solution Div.
- Agriculture & Food Company
  - Planning & Administration
  - Business Development Div.
  - Technology Development Div.
  - AW-Water Div.

- Hokkaido Air Water Inc.
- Tohoku Air Water Inc.
- Kanto Air Water Inc.
- Niigata Air Water Inc.
- Shinano Air Water Inc.
- Chubu Air Water Inc.
- Kinki Air Water Inc.
- Chugoku-Shikoku Air Water Inc.
- Kyushu Air Water Inc.
- Air Water Vietnam Co., Ltd.

- Chitose Plant
- Wanishi Plant
- Kashima Plant
- Utsunomiya Plant
- Kobe Plant
- Wakayama Plant
- Hofu Plant
- Kokura Plant

- Kashima Plant
- Wakayama Plant

Compliance Center

- Safety Management
- Environmental Management Promotion
- Medical Safety Management
- Food Safety Management
- Technology Management

Corporate History

HOXAN Corporation

Sep. 1929 Hokkai Sanso Co., Ltd. is established in Sapporo.

Dec. 1955 Sales of LPG begin.

Sep. 1963 Sales and production of a bath room unit named "Bath-All" begin.

Aug. 1966 Company name changed to HOXAN Corporation.

Sep. 1979 The Company's stock is listed on the First Section of the Tokyo Stock Exchange.

Mar. 1981 Manufacture and sales of frozen food begin.

Daido Sanso K.K.

Mar. 1933 Daido Sanso K.K. is established in Osaka.

Sep. 1961 The Company's stock is listed on the First Section of the Tokyo Stock Exchange.

Apr. 1970 Senboku Oxygen Co., Ltd. begins operation. The Kansai district's first on-site operation with the capability of generating gas and liquid gas begins.

Oct. 1983 Capital alliance with U.S.-based Air Products and Chemicals, Inc. is formed.

Aug. 1984 High-purity nitrogen generator "V1" is developed. Mini on-site operation for semiconductor equipment manufacture begins.

Dec. 1992 Cryo-Air Co., Ltd., which has an energy-saving cryogenic air separation system utilizing LNG's cold energy, begins operation.

Kyodo Oxygen Co., Ltd.

Feb. 1962 Kyodo Oxygen Co., Ltd. is established in Wakayama.

Sep. 1979 Manufacture and sales of ELNACKS® welding shield gas begin.

Jan. 1996 The Company's stock is listed on the Second Section of the Osaka Securities Exchange.

Apr. 1993 Daido Hoxan Inc. is established.

May 1996 Business alliance between Daido Hoxan and Kyodo Oxygen is formed.

Jan. 1997 Daido Air Products Electronics Inc. is established.

Apr. 2000 Air Water Inc. is established.

Oct. 2002 Sumikin Air Water Chemical Inc. is established. Chemical Business is established around coal chemical.

Apr. 2004 Development of compact liquefied gas plant (VSU). No.1 Unit begins operation in Niigata. (upgrades and expands stable local supply system)

Sep. 2007 Nihonkaisui Co., Ltd. is made a subsidiary of the Air Water Group. Seawater Business is established; including Tateho Chemical Industries Co., Ltd..

Oct. 2007 Research and Development Institute is established in Matsumoto City (Nagano). Consolidates the cutting-edge technologies and intellectual properties of the Air Water Group.

Mar. 2010 Mid-term Business Plan "NEXT-2020 Ver.1" is established. (Seeks to become a 1-trillion yen company in net sales in FY2020 and puts in place a "Foundation for Further Growth".)

Oct. 2012 Agriculture and Food Products Business is established through the addition of Gold-Pak and Tomiichi to the Air Water Group.

May 2013 New medium-term business plan "NEXT-2020 Ver. 2" is established. (Net sales target for FY2015: 700 billion yen)

Corporate Outline

(As of March 31, 2015)

Company Name	AIR WATER INC.
Head Office	12-8, Minami-Semba 2-chome, Chuo-ku, Osaka, 542-0081, Japan
	Tel (+81) 6-6252-5411 Fax (+81) 6-6252-3965
(Registered Address of Head Office)	2, Kita-Sanjo-Nishi 1-chome, Chuo-ku, Sapporo, 060-0003, Japan
(Tokyo Office)	18-19, Toranomon 3-chome, Minato-ku, Tokyo, 105-0001, Japan
Established	September 24, 1929
Paid-in Capital	¥32,263 Million
Number of Employees	10,147 (Consolidated)
URL	http://www.awi.co.jp/english/

Board of Directors

(As of June 25, 2015)

Chairman Emeritus	Hiroshi Aoki	
Chairman of the Board	Masahiro Toyoda	Chief Executive Officer
President	Yasuo Imai	Chief Operating Officer
Senior Managing Director	Toshihiko Akatsu	President, Life Solution & Energy Company
	Akira Fujita	Chief Representative for Hokkaido Operations
	Kikuo Toyoda	President, Medical Company General Manager, Hospital Support Division
	Junichi Nakagawa	President, Chemical Company
	Yuu Karato	Finance & Administration Officer
	Yukio Matsubara	President, Industrial Company
Managing Director	Masato Machida	President, Agriculture & Food Company
	Hideo Tsutsumi	General Manager, Business Planning
	Minoru Nagata	General Manager, Kanto Branch President, Kanto Air Water Inc.
	Kiyoshi Shirai	General Manager, Corporate Planning
Corporate Director	Yasushi Sogabe	General Manager, Hokkaido Branch President, Hokkaido Air Water Inc.
	Yukio Murakami	General Manager, Industrial Gas & Related Equipment, Industrial Company
	Masayuki Hasegawa	Corporate Technology Officer President, Air Water Research & Development Institutes Inc.
	Kazuhiko Hatano	Corporate CSR Officer; General Manager, Compliance Center
	Yukiko Sakamoto	Independent Director
	Yoji Arakawa	Independent Director
Auditor	Tomohiro Katano	Standing Statutory Auditor
	Kouichi Nakagawa	Standing Statutory Auditor
	Hirohisa Hiramatsu	Standing Statutory Auditor
	Morihiro Sekiyama	Corporate Auditor (part-time)
	Akihiko Takashima	Corporate Auditor (part-time)

Principal Shareholders

(As of March 31, 2015)

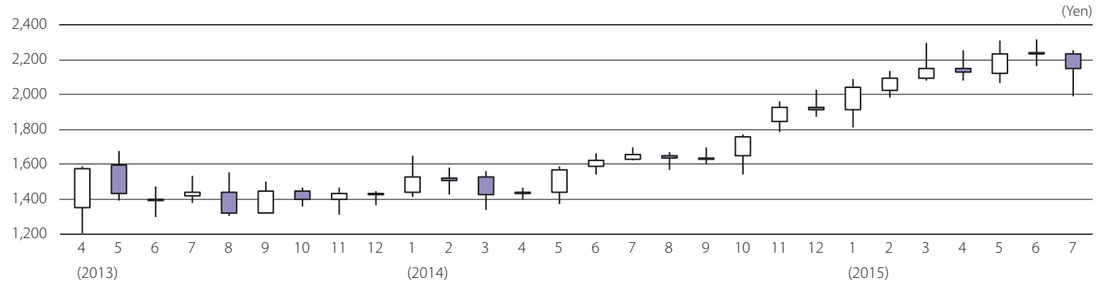
Company	Number of shares held (thousands)	Ratio of shares held (%)
Nippon Steel & Sumitomo Metal Corporation	10,000	5.03
The Master Trust Bank of Japan, Ltd. (trust account)	8,583	4.32
Sumitomo Mitsui Trust Bank, Limited	7,936	3.99
JP MORGAN CHASE BANK 385632	7,049	3.55
Japan Trustee Services Bank, Ltd. (trust account)	6,994	3.52
Sumitomo Mitsui Banking Corporation	6,196	3.12
Air Water Customers' Stockholding	5,280	2.66
National Mutual Insurance Federation of Agricultural Cooperatives	4,780	2.41
The Hokkaido Bank., Ltd.	4,113	2.07
North Pacific Bank, Ltd	3,874	1.95

Information on Shares

(As of March 31, 2015)

Fiscal Year	From April 1 to March 31
Annual General Meeting of Shareholders	June
Record Dates	Annual meeting: March 31
	Year-end dividends: March 31
	Interim dividend: September 30
Number of Shares per Unit	1,000 shares
Manager of the Register of Shareholders	Sumitomo Mitsui Trust Bank, Limited. 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Telephone Number for Inquiries	TEL 0120-782-031 (toll-free in Japan)
URL	http://www.smtb.jp/personal/agency/index.html
Method of Public Notice	Electronic public notice
	*URL depicting public notice
	http://www.awi.co.jp/ir/koukoku.html
Listed Financial Instruments Exchange	Tokyo, Sapporo

Stock Price Range



Trading Volume