



ANNUAL REPORT 2015
Year Ended March 31, 2015
Financial Section

SECURING DECISIVE GROWTH

 AIR WATER INC.



C O N T E N T S

Business Overview and Analysis of
Financial Condition and Cash Flow 02

Consolidated Balance Sheets 06

Consolidated Statements of Income 08

Consolidated Statements of
Comprehensive Income 09

Consolidated Statements of
Changes in Net Asset 10

Consolidated Statements of
Cash Flows 13

Notes to Consolidated
Financial Statements 14

Independent Auditor's Report 37

(1) Business Overview

The business environment surrounding the Air Water Group was characterized by slow yet steady recovery. While it experienced a downturn after the consumption tax hike, business shifted into recovery mode with an increase in exports, primarily to the U.S. Capital investment, which appeared to be in an ongoing trend of stagnation, began to slowly pickup in many domestic manufacturing industries from the start of the new year.

Within this context, the Industrial Gas Business, despite some industry sectors being sluggish due to delays in inventory adjustment, showed signs of improvement. This was the result of a gradual increase in industrial gas supply volume owing to more active operations in a large number of industries where exporting competitiveness was restored as a result of the weaker yen, such as the basic materials industry. Both the Medical Business and the Energy Business faced harsh business environments; however, independent growth strategies were effectively implemented,

virtually negating difficulties. Furthermore, businesses with special characteristics, such as Seawater, Logistics and NV, grew steadily owing to the thorough implementation of the group's Order Rodentia Style of Business.

Meanwhile, the Chemical Business contended with harsh conditions due to the effects of a deteriorating market in line with the drop in crude oil prices. Moreover, the Agriculture and Food Products Business was severely affected by the slow recovery in spending following the consumption tax hike and unseasonable weather between summer and early autumn.

As a result, for the term ending March 31, 2015, sales were ¥660,542 million (103.0% compared to the previous term), operating income was ¥36,127 million (103.0%), ordinary income was ¥38,159 million (105.2%), and net income was ¥20,703 million (107.7%).

(2) Analysis of Financial Condition

(Assets)

Current assets increased by ¥8,747 million from the end of the previous consolidated fiscal year, totaling ¥225,364 million, partly as the result of an increase in cash and deposits.

Fixed assets are also up ¥10,803 million from the end of the previous consolidated fiscal year, reaching ¥322,277 million, primarily as the result of an increase in investment securities.

These changes resulted in total assets of ¥547,642 million, an increase of ¥19,550 million from the end of the previous consolidated fiscal year.

(Liabilities)

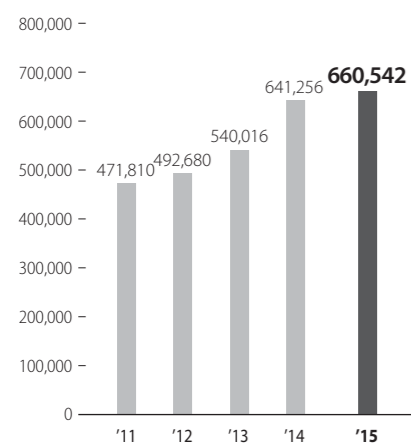
Despite an increase in deferred tax liabilities, total liabilities were ¥307,488 million, a decrease of ¥1,121 million from the end of the previous consolidated fiscal year. This was due in part to a decrease in debt and income taxes payable.

(Net Assets)

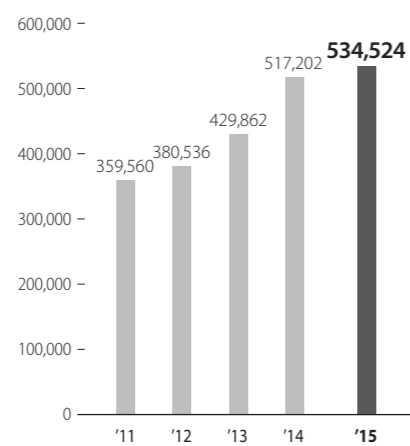
Net assets totaled ¥240,154 million, an increase of ¥20,672 million from the end of the previous consolidated fiscal year. This was the result of increasing net income among other factors.

Net assets per share grew to ¥1,155.80 from ¥1,040.22 at the end of the previous consolidated fiscal year, and the equity ratio changed to 41.3% from 38.5% at the end of the previous fiscal year.

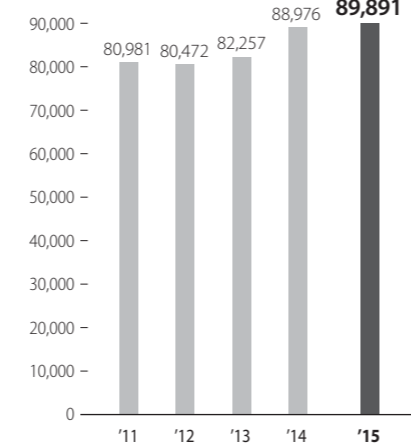
Net Sales (million JPY)



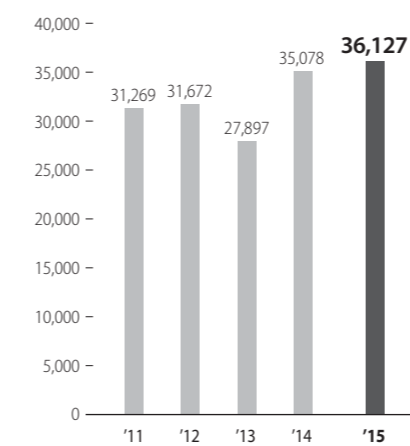
Cost of Sales (million JPY)



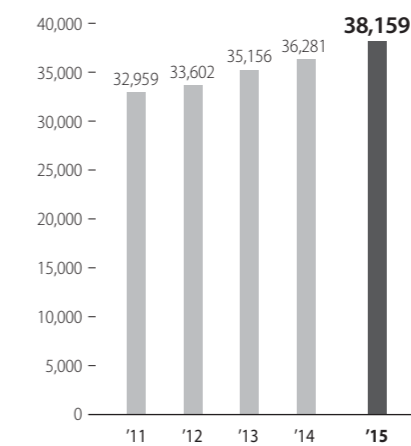
Selling, General and Administrative Expenses (million JPY)



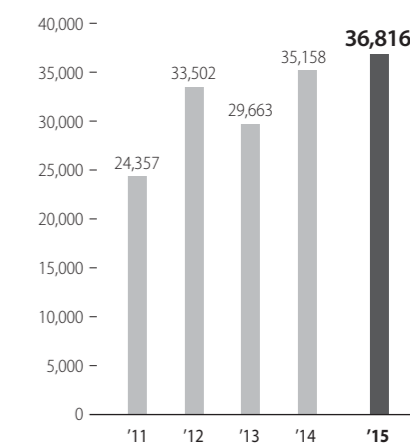
Operating Income (million JPY)



Ordinary Income (million JPY)



Income before Income Taxes and Minority Interests (million JPY)



(3) Analysis of Cash Flows

Deposits of cash and cash equivalents at the end of the consolidated fiscal year were ¥28,763 million, an increase of ¥8,011 million compared to the end of the previous consolidated fiscal year.

(Cash flow from operating activities)

Cash flow from operating activities increased by ¥2,823 compared to the previous consolidated fiscal year as a result of deductions in corporate taxes, etc. arising from income before taxes and other adjustments and depreciation costs. The result was a net positive cash flow of ¥51,072 million.

(Cash flow from investing activities)

Cash flow from investing activities in the fiscal year was an outflow of ¥35,483 million, a decrease of ¥16,703 million in expenditures compared to the previous consolidated fiscal year. This was primarily due to a decrease in the acquisition of property, plants and equipment. Free cash flow was therefore ¥15,587 million, an increase of ¥19,526 million from the previous consolidated fiscal year.

(Cash flow from financing activities)

Cash flow from financing activities in the fiscal year was an outflow of ¥7,940 million, a decrease of ¥12,560 million compared to the previous consolidated fiscal year. This came as a result of exerting efforts to reduce interest-bearing debt.

[Risk Factors]

The following are the primary risk factors that could influence the operations of the Air Water Group, thereby bring about fluctuations in areas such as business or accounting, or have a significant influence on judgments made by investors. Forward-looking statements in the following are judgments based on the consolidated results of the fiscal year ending March 31, 2015.

(1) Market

The oxygen, nitrogen and other industrial gases produced and sold by the Air Water Group are used by major customers in the steel, electronics, automobile, and shipbuilding industries. Consequently, industrial gas sales can be affected by demand in these sectors.

If electricity costs rise as a result of higher crude oil prices or other factors, the cost of oxygen, nitrogen and other industrial gases produced and sold by the Air Water Group increases. If such increases in cost cannot be passed on to the customer, profits from the sales of industrial gases may be affected.

The LP gas and kerosene sold by the Air Water Group may be affected by factors such as contract prices and crude oil price as well. If the fluctuation in supply costs cannot be quickly passed on to the customer, profits from the sales of LP gas and kerosene may be affected.

(2) Rising Fuel Costs

If the price of crude oil increases, shipping expenses, including the cost of light oil, fuel oil, ocean freight and air freight, will increase. If such increases in cost cannot be passed on to the customer, profits may be affected.

(3) Drug Pricing System

The Air Water Group supplies gases for medical treatment and provides services to medical institutions. Therefore, depending on the contents in the revisions of drug prices, there may be an influence on the cost of gases used for medical treatment and medical services.

(4) Safety and Quality

The Air Water Group produces and sells high-pressure gases and other products in compliance with the Japanese government's High Pressure Gas Safety Act and the Liquid Petroleum Gas Act, and the Group's business performance or financial conditions could be affected in the event of an industrial accident or similar event. The Group produces, imports and sells gases for medical treatments and medical equipment in compliance with the Pharmaceutical Affairs Act. Therefore, business performance or financial conditions could be affected in the event of a product defect resulting in a recall or liability compensation. We also produce and sell frozen foods, ham and delicatessen products in compliance with the Food Sanitation Act, the Japan Agricultural Standards (JAS) Act for proper labeling, and other relevant laws and regulations. Accordingly, Group business performance or financial conditions could be affected by the loss of consumer confidence in the event of problems related to quality.

(5) Business Investment

The Air Water Group has been actively expanding its business in recent years through mergers and acquisitions. Accordingly, Group business performance and financial conditions could be affected in the event that such investments do not perform as anticipated.

(6) Competitor Companies

Each business field in the Air Water Group competes with a variety of other companies, and there is also the potential of competition from new companies entering the same markets. Consequently, Group business performance and financial

conditions could be affected if measures such as business expansion or cost reductions are not implemented in a timely manner in response to such competition.

(7) Environmental Regulations

The operations of the Air Water Group are subject to environmental laws and regulations in Japan and in other countries. While all operations are conducted in full compliance with such laws and regulations, in the event that stricter requirements are introduced as a result of revised or new environmental laws and regulations, Group business performance or financial conditions could be affected owing to the increased cost of compliance.

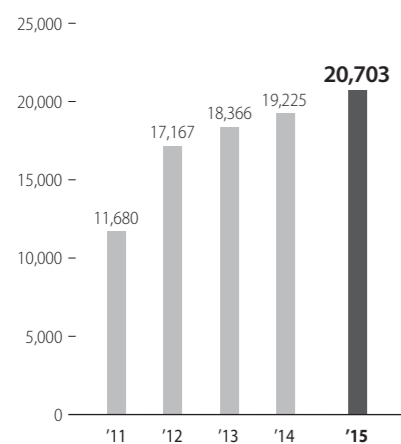
(8) Natural Disasters

In the event that a natural disaster such as an earthquake causes significant damage to production facilities of the Air Water Group and results in a significant loss of production capacity or delays in production, Group business performance or financial conditions may be affected.

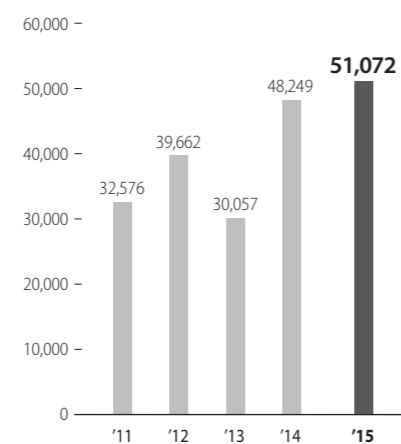
(9) Litigation, Measures Taken by Regulatory Authorities and Other Legal Procedures

The execution of Air Water Group business involves inherent risks related to litigation, measures taken by regulatory authorities, and other legal procedures. Such procedures may lead to claims for compensation against the Group, monetary levies imposed upon the Group by regulatory authorities, or constraints on business operations. Such measures or legal procedures could affect Group business, business performance or financial conditions.

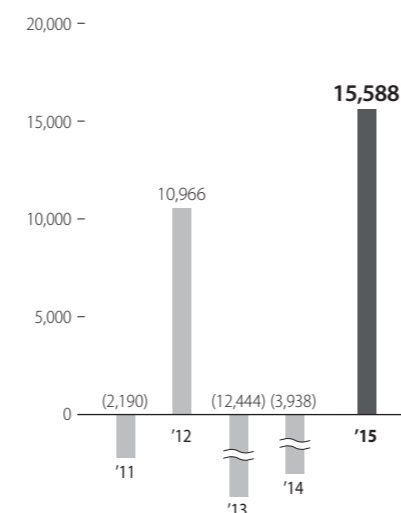
Net Income (million JPY)



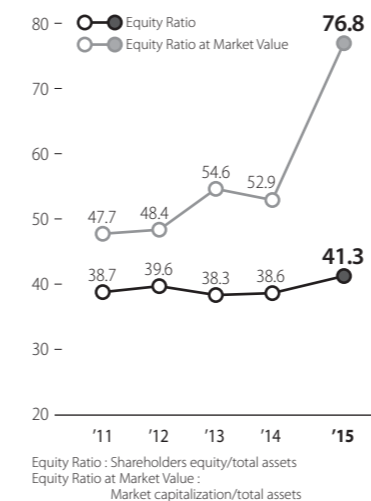
Cash Flow from Operating Activities (million JPY)



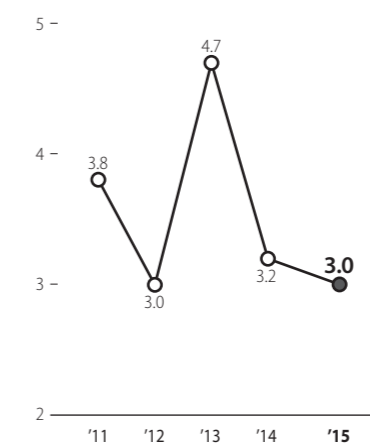
Free Cash Flow (million JPY)



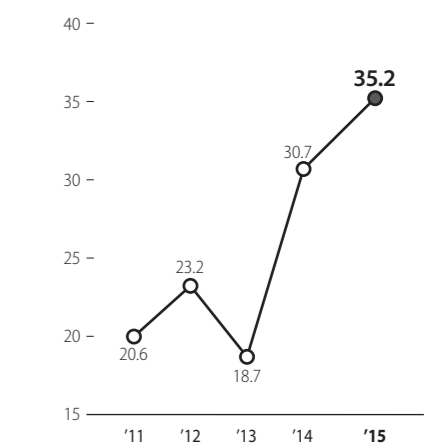
Equity Ratio & Equity Ratio at Market Value (%)



Debt Repayment Period (Years)
Interest bearing loans/operating cash flow



Interest Coverage Ratio (Times)
Operating cash flow/interest payments



Consolidated Balance Sheets

AIR WATER INC.
As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	(Note 1)
ASSETS			
Current assets:			
Cash and deposits (Note 3 and 7)	¥ 24,506	¥ 21,458	\$ 203,928
Notes and accounts receivable - trade	141,020	142,417	1,173,504
Inventories (Note 4)	39,159	35,579	325,863
Short-term loans receivable	3,904	8,304	32,487
Deferred tax assets (Note 9)	3,545	3,710	29,500
Other current assets (Note 3)	15,154	7,743	126,105
Allowance for doubtful accounts	(1,923)	(2,593)	(16,002)
Total current assets	225,365	216,618	1,875,385
Property, plant and equipment (Note 7):			
Land (Note 6)	55,503	54,427	461,871
Buildings and structures	121,450	118,205	1,010,652
Machinery, equipment and vehicles	238,183	233,622	1,982,050
Lease assets	28,047	26,232	233,394
Construction in progress	15,651	12,707	130,241
Other	32,298	31,450	268,769
	491,132	476,643	4,086,977
Less accumulated depreciation	282,863	269,190	2,353,857
Total property, plant and equipment	208,269	207,453	1,733,120
Investments and other assets:			
Investment securities (Note 5 and 7)	68,343	61,375	568,719
Investments in capital	4,150	4,155	34,534
Net defined benefit asset (Note 19)	4,911	3,850	40,867
Deferred tax assets (Note 9)	3,092	3,623	25,730
Deferred tax assets for land revaluation (Note 6 and 9)	50	55	416
Goodwill	13,966	13,961	116,219
Other assets (Note 7)	20,201	17,757	168,104
Allowance for doubtful accounts	(704)	(755)	(5,858)
Total investments and other assets	114,009	104,021	948,731
Total assets	¥ 547,643	¥ 528,092	\$ 4,557,236

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	(Note 1)
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Trade	¥ 91,444	¥ 93,913	\$ 760,955
Construction	4,200	4,550	34,951
Short-term borrowings, including current portion of long-term debt (Note 7)	54,562	41,558	454,040
Lease obligations (Note 7)	2,452	2,248	20,404
Accrued expenses	19,387	17,844	161,330
Income taxes payable (Note 9)	5,147	7,732	42,831
Provision for environmental measures	1,524	-	12,682
Provision for directors' bonuses	152	156	1,265
Other current liabilities	9,329	8,336	77,632
Total current liabilities	188,197	176,337	1,566,090
Noncurrent liabilities:			
Long-term debt (Note 7)	81,676	95,796	679,670
Lease obligations (Note 7)	16,174	15,877	134,593
Deferred tax liabilities (Note 9)	9,020	5,616	75,060
Deferred tax liabilities for land revaluation (Note 6 and 9)	1,028	1,131	8,555
Provision for directors' retirement benefits	850	834	7,073
Net defined benefit liability (Note 19)	6,322	8,788	52,609
Other noncurrent liabilities	4,222	4,231	35,134
Total noncurrent liabilities	119,292	132,273	992,694
Contingent liabilities (Note 12)			
Total liabilities	307,489	308,610	2,558,784
NET ASSETS (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized - 480,000,000 shares			
Issued - 195,859,967 shares in 2015	32,264	32,264	268,486
195,631,721 shares in 2014			
Capital surplus	34,462	34,464	286,777
Retained earnings	159,868	144,120	1,330,349
Treasury stock, at cost	(2,931)	(3,121)	(24,390)
2,845,090 shares in 2015 and 3,073,336 shares in 2014			
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	9,470	4,750	78,805
Deferred gains or losses on hedges	(208)	(294)	(1,731)
Revaluation reserve for land (Note 6)	(8,645)	(8,732)	(71,940)
Foreign currency translation adjustments	585	436	4,868
Remeasurements of defined benefit plans (Note 19)	1,510	(387)	12,566
Total accumulated other comprehensive income	2,712	(4,227)	22,568
Subscription rights to shares (Note 20)	387	348	3,220
Minority interests	13,392	15,634	111,442
Total net assets	240,154	219,482	1,998,452
Total liabilities and net assets	¥ 547,643	¥ 528,092	\$ 4,557,236

Consolidated Statements of Income

AIR WATER INC.
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales	¥ 660,542	¥ 641,256	\$ 5,496,730
Cost of sales	534,524	517,202	4,448,065
Gross profit	126,018	124,054	1,048,665
Selling, general and administrative expenses	89,891	88,976	748,032
Operating income	36,127	35,078	300,633
Non-operating profit:			
Interest and dividend income	1,078	792	8,971
Equity in earnings of nonconsolidated subsidiaries and affiliates	881	1,402	7,331
Other - net	2,909	2,542	24,207
	4,868	4,736	40,509
Non-operating loss:			
Interest expense	1,453	1,567	12,091
Other - net	1,383	1,966	11,509
	2,836	3,533	23,600
Ordinary income	38,159	36,281	317,542
Extraordinary Income:			
Gain on sales of noncurrent assets	148	131	1,232
Return of surcharge	2,911	-	24,224
Compensation income (Note 13)	1,530	1,669	12,732
Gain on bargain purchase	1,512	98	12,582
Other - net	405	480	3,370
	6,506	2,378	54,140
Extraordinary Loss:			
Loss on sales and retirement of noncurrent assets	1,796	2,064	14,946
Provision of allowance for investment loss	1,875	-	15,603
Environmental expenses	1,684	-	14,013
Other - net	2,494	1,437	20,754
	7,849	3,501	65,316
Income before income taxes and minority interests	36,816	35,158	306,366
Income taxes (Note 9):			
Current	12,696	13,938	105,650
Deferred	1,539	(6)	12,807
	14,235	13,932	118,457
Income before minority interests	22,581	21,226	187,909
Minority interests in income	(1,878)	(2,001)	(15,628)
Net income	¥ 20,703	¥ 19,225	\$ 172,281

	yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Per share of common stock:			
Net income - basic	¥ 105.75	¥ 98.29	\$ 0.88
Net income - diluted	105.51	98.08	0.88
Cash dividends applicable to the year	28.00	26.00	0.23

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

AIR WATER INC.
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 22,581	¥ 21,226	\$ 187,909
Other comprehensive income			
Valuation difference on available-for-sale securities	4,741	3,329	39,452
Deferred gains and losses on hedges	105	44	874
Revaluation reserve for land	98	55	816
Foreign currency translation adjustments	171	249	1,423
Remeasurements of defined benefit plans, net of tax	1,969	-	16,385
Share of other comprehensive income of associates accounted using equity method	81	254	674
Other comprehensive income (Note 16)	7,165	3,931	59,624
Comprehensive income	29,746	25,157	247,533
Comprehensive income attributable to			
Owners of the parent	27,642	23,107	230,024
Minority interests	2,104	2,050	17,509

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

AIR WATER INC.
Year ended March 31, 2014

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at April 1, 2013	¥ 32,264	¥ 34,455	¥ 129,974	¥ (3,281)	¥ 193,412
Cumulative effects of changes in accounting policies		9	(32)		(23)
Restated balance at April 1, 2013	32,264	34,464	129,942	(3,281)	193,389
Changes in items during the period					
Dividends from surplus			(4,905)		(4,905)
Reversal of revaluation reserve for land			(6)		(6)
Net income			19,225		19,225
Change in scope of consolidation			9		9
Merger of non-consolidated subsidiaries by affiliates			36		36
Change in scope of equity method by affiliates			(181)		(181)
Purchase of treasury stock				(93)	(93)
Disposal of treasury stock		(0)		253	253
Net changes in items other than shareholders' equity					-
Total changes in items during the period	-	(0)	14,178	160	14,338
Balance at March 31, 2014	¥ 32,264	¥ 34,464	¥ 144,120	¥ (3,121)	¥ 207,727

	Millions of yen								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2013	¥ 1,166	¥ (332)	¥ (8,792)	¥ 145	¥ -	¥ (7,813)	¥ 290	¥ 13,323	¥ 199,212
Cumulative effects of changes in accounting policies									(23)
Restated balance at April 1, 2013	1,166	(332)	(8,792)	145	-	(7,813)	290	13,323	199,189
Changes in items during the period									
Dividends from surplus									(4,905)
Reversal of revaluation reserve for land									(6)
Net income									19,225
Change in scope of consolidation									9
Merger of non-consolidated subsidiaries by affiliates									36
Change in scope of equity method by affiliates									(181)
Purchase of treasury stock									(93)
Disposal of treasury stock									253
Net changes in items other than shareholders' equity	3,584	38	60	291	(387)	3,586	58	2,311	5,955
Total changes in items during the period	3,584	38	60	291	(387)	3,586	58	2,311	20,293
Balance at March 31, 2014	¥ 4,750	¥ (294)	¥ (8,732)	¥ 436	¥ (387)	¥ (4,227)	¥ 348	¥ 15,634	¥ 219,482

AIR WATER INC.
Year ended March 31, 2015

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at April 1, 2014	¥ 32,264	¥ 34,464	¥ 144,120	¥ (3,121)	¥ 207,727
Cumulative effects of changes in accounting policies			198		198
Restated balance at April 1, 2014	32,264	34,464	144,318	(3,121)	207,925
Changes in items during the period					
Dividends from surplus			(5,295)		(5,295)
Reversal of revaluation reserve for land			12		12
Net income			20,703		20,703
Change in scope of consolidation			130		130
Purchase of treasury stock				(88)	(88)
Disposal of treasury stock		(2)		278	276
Net changes in items other than shareholders' equity					-
Total changes in items during the period	-	(2)	15,550	190	15,738
Balance at March 31, 2015	¥ 32,264	¥ 34,462	¥ 159,868	¥ (2,931)	¥ 223,663

	Millions of yen								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2014	¥ 4,750	¥ (294)	¥ (8,732)	¥ 436	¥ (387)	¥ (4,227)	¥ 348	¥ 15,634	¥ 219,482
Cumulative effects of changes in accounting policies							51		249
Restated balance at April 1, 2014	4,750	(294)	(8,732)	436	(387)	(4,227)	348	15,685	219,731
Changes in items during the period									
Dividends from surplus									(5,295)
Reversal of revaluation reserve for land									12
Net income									20,703
Change in scope of consolidation									130
Purchase of treasury stock									(88)
Disposal of treasury stock									276
Net changes in items other than shareholders' equity	4,720	86	87	149	1,897	6,939	39	(2,293)	4,685
Total changes in items during the period	4,720	86	87	149	1,897	6,939	39	(2,293)	20,423
Balance at March 31, 2015	¥ 9,470	¥ (208)	¥ (8,645)	¥ 585	¥ 1,510	¥ 2,712	¥ 387	¥ 13,392	¥ 240,154

Consolidated Statements of Changes in Net Assets

AIR WATER INC.
Year ended March 31, 2015

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at April 1, 2014	\$ 268,486	\$ 286,794	\$ 1,199,301	\$ (25,972)	\$ 1,728,609
Cumulative effects of changes in accounting policies			1,648		1,648
Restated balance at April 1, 2014	268,486	286,794	1,200,949	(25,972)	1,730,257
Changes in items during the period					
Dividends from surplus			(44,063)		(44,063)
Reversal of revaluation reserve for land			100		100
Net income			172,281		172,281
Change in scope of consolidation			1,082		1,082
Purchase of treasury stock				(732)	(732)
Disposal of treasury stock		(17)		2,314	2,297
Net changes in items other than shareholders' equity					-
Total changes in items during the period	-	(17)	129,400	1,582	130,965
Balance at March 31, 2015	\$ 268,486	\$ 286,777	\$ 1,330,349	\$ (24,390)	\$ 1,861,222

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	
Balance at April 1, 2014	\$ 39,527	\$ (2,447)	\$ (72,664)	\$ 3,629	\$ (3,220)	\$ (35,175)	\$ 2,896	\$ 130,099	\$ 1,826,429
Cumulative effects of changes in accounting policies								424	2,072
Restated balance at April 1, 2014	39,527	(2,447)	(72,664)	3,629	(3,220)	(35,175)	2,896	130,523	1,828,501
Changes in items during the period									
Dividends from surplus									(44,063)
Reversal of revaluation reserve for land									100
Net income									172,281
Change in scope of consolidation									1,082
Purchase of treasury stock									(732)
Disposal of treasury stock									2,297
Net changes in items other than shareholders' equity	39,278	716	724	1,239	15,786	57,743	324	(19,081)	38,986
Total changes in items during the period	39,278	716	724	1,239	15,786	57,743	324	(19,081)	169,951
Balance at March 31, 2015	\$ 78,805	\$ (1,731)	\$ (71,940)	\$ 4,868	\$ 12,566	\$ 22,568	\$ 3,220	\$ 111,442	\$ 1,998,452

Consolidated Statements of Cash Flows

AIR WATER INC.
Years ended March 31, 2015 and 2014

Millions of yen

Thousands of U.S. dollars (Note 1)

	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 36,816	¥ 35,158	\$ 306,366
Depreciation and amortization	25,222	24,338	209,886
Amortization of goodwill	2,113	2,033	17,583
Gain on bargain purchase	(1,512)	(98)	(12,582)
Increase (decrease) in allowance for doubtful accounts	(757)	264	(6,298)
Increase (decrease) in provision for investment loss	1,875	-	15,603
Increase (decrease) in net defined benefit liability	(357)	(292)	(2,971)
Interest and dividend income	(1,078)	(792)	(8,971)
Interest expense	1,453	1,567	12,091
Equity in earnings of nonconsolidated subsidiaries and affiliates	(881)	(1,402)	(7,331)
Gain on sales of noncurrent assets	(148)	(131)	(1,232)
Loss on sales and retirement of noncurrent assets	1,796	2,063	14,946
Environmental expenses	1,684	-	14,013
Compensation income	(1,530)	(1,669)	(12,732)
Return of surcharge	(2,911)	-	(24,224)
Decrease (increase) in notes and accounts receivable	4,145	(9,264)	34,493
Decrease (increase) in inventories	(2,644)	(55)	(22,002)
Increase (decrease) in notes and accounts payable	(5,171)	1,458	(43,031)
Other - net	2,893	3,201	24,074
Subtotal	61,008	56,379	507,681
Interest and dividends income received	1,485	1,854	12,357
Interest expense paid	(1,452)	(1,574)	(12,083)
Proceeds from compensation	2,391	2,631	19,897
Proceeds from return of surcharge	2,911	-	24,224
Payments for loss on compensations	-	(453)	-
Income taxes paid	(15,271)	(10,588)	(127,078)
Net cash provided by (used in) operating activities	¥ 51,072	¥ 48,249	\$ 424,998
Cash flows from investing activities:			
Purchase of property, plant and equipment	(30,056)	(36,762)	(250,112)
Proceeds from sales of property, plant and equipment	808	635	6,724
Purchase of intangible assets	(1,748)	(510)	(14,546)
Purchase of investment securities	(5,804)	(9,904)	(48,298)
Proceeds from sales of investment securities	2,159	142	17,966
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 3)	(1,489)	(5,339)	(12,391)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 3)	451	-	3,753
Payments of loans receivable	(16,302)	(12,679)	(135,658)
Collection of loans receivable	16,517	12,217	137,447
Other - net	(20)	13	(167)
Net cash provided by (used in) investing activities	¥ (35,484)	¥ (52,187)	\$ (295,282)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,742)	(4,152)	(22,818)
Proceeds from long-term debt	11,956	39,584	99,492
Repayment of long-term debt	(11,706)	(23,302)	(97,412)
Redemption of bonds	(38)	(48)	(316)
Proceeds from sale-leaseback transactions	2,474	-	20,588
Repayment of lease obligations	(2,310)	(2,540)	(19,223)
Purchase of treasury stock	(88)	(94)	(732)
Proceeds from sales of treasury stock	276	359	2,297
Cash dividends paid	(5,297)	(4,887)	(44,079)
Cash dividends paid to minority shareholders	(466)	(300)	(3,878)
Net cash provided by (used in) financing activities	¥ (7,941)	¥ 4,620	\$ (66,081)
Effect of exchange rate changes on cash and cash equivalents	24	222	200
Net increase (decrease) in cash and cash equivalents	7,671	904	63,835
Cash and cash equivalents at beginning of year	20,751	19,470	172,680
Increase in cash and cash equivalents resulting from merger	-	5	-
Increase in cash and cash equivalents from newly consolidated subsidiary	341	372	2,838
Cash and cash equivalents at end of year (Note 3)	¥ 28,763	¥ 20,751	\$ 239,353

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of AIR WATER Inc. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The financial statements of the Company's consolidated overseas subsidiaries for consolidation purposes have been prepared in conformity with IFRS or generally accepted accounting principles in the United States of America ("US GAAP") and partially reflect the adjustments which are necessary to conform with Japanese GAAP.

2. Summary of significant accounting policies

(1) Scope of Consolidation and application of equity method

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (together "the Companies") over which the Company has power of control through majority voting rights or the existence of other conditions evidencing control by the Company. Investments in affiliates over which the Company has the ability to exercise significant influence on operating and financial policies are accounted for using the equity method and stated at cost adjusted for the equity in the undistributed earnings and losses from the date of acquisition.

There were 81 consolidated subsidiaries for the year ended March 31, 2015 (75 for the year ended March 31, 2014) and 15 companies accounted for using the equity method for the year ended March 31, 2015 (16 for the year ended March 31, 2014).

Changes in the scope of consolidation during the year ended March 31, 2015 were as follows:

- Due to new acquisitions, 4 subsidiaries became consolidated subsidiaries.
- Due to an increase in materiality, 1 subsidiary became a consolidated subsidiary.
- Due to establishment of a company, 2 subsidiaries became consolidated subsidiaries.
- Due to dissolution and extinction because of merger, 1 subsidiary was excluded from the scope of consolidation.

Changes in the scope of consolidation during the year ended March 31, 2014 were as follows:

- Due to new acquisitions, 5 subsidiaries became consolidated subsidiaries.
- Due to an increase in materiality, 3 subsidiaries became consolidated subsidiaries.
- Due to dissolution and extinction because of merger, 1 subsidiary was excluded from the scope of consolidation.

Changes in the scope of entities accounted for by the equity method during the year ended March 31, 2015 were as follows:

- Due to becoming consolidated subsidiary, 1 affiliate was excluded from the scope of entities accounted for by the equity method.

For the purposes of preparing the consolidated financial

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts was included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion attributable to minority interests has been recorded in minority interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

(2) Accounting changes

For the year 2015

(Application of accounting standards for retirement benefits)

The Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) effective from the year ended March 31, 2015, in accordance with the provisions stated in Article 35 of Statement No. 26 and Article 67 of Guidance No. 25. The method for calculating retirement benefit obligation and service cost have been revised in the following respects: The method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate has been changed to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits in every such period.

In accordance with Article 37 of Statement No. 26, the effect of the change in method for calculating retirement benefit obligation and service cost was recognized by adjusting retained earnings at the beginning of the fiscal year ended March 31, 2015. As a result, net defined benefit asset decreased ¥262 million (\$2,180 thousand), net defined benefit liability decreased ¥647 million (\$5,384 thousand), minority interests increased ¥51 million (\$424 thousand), and retained earnings increased ¥197 million (\$1,639 thousand) compared with the amounts that would have

been reported without the change. This change had no material impact on income.

The effect of this change on segment information and per share information was immaterial and the record of this effect was omitted.

(Application of practical solution on transactions of delivering the company's own stock to employees etc. through trusts)

The Company has applied the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (Practice Issue Task Force No. 30, March 26, 2015) from this current fiscal year and records the liability of net amounts of the gain or loss for the Company's own stocks to that are sold to the employee's stock holding association from the trusts, dividends that the Company paid to the trusts and expenses accrued with regard to the trusts. The Company changed the accounting policy retrospectively and the comparative information of the consolidated balance sheet has been presented accordingly.

As a result, in the consolidated balance sheet as of the fiscal year ended March 31, 2014, other noncurrent liability increased ¥140 million (\$1,165 thousand), capital surplus decreased ¥96 million (\$799 thousand) and retained earnings decreased ¥43 million (\$358 thousand) compared with the amounts that would have been reported without the change. Due to the reflection of accumulated effects to the beginning balance of the net assets as of the fiscal year ended March 31, 2014, the beginning balance of capital surplus in the consolidated statements of changes in net asset increased ¥8 million (\$67 thousand) and the beginning balance of retained earnings decreased ¥31 million (\$258 thousand). This change had no material impact on income.

The effect of this change on segment information and per share information was immaterial and the record of this effect was omitted.

(Additional Information)

The Company provides stock to the Employee Stock Ownership Group through the Employee Stock Ownership Trust for the purpose of employee welfare.

(1) Details of transactions

The Company introduced a trust-type Employee Stock Ownership Plan (hereafter "the ESOP") by resolution of the Board of Directors meeting held on May 14, 2010 to increase mid-and long-term corporate value and promote employee welfare. The ESOP is an incentive plan for all employees who belong to the Air Water group Employee Stock Ownership Group (hereafter "the Group"). The Employee Stock Ownership Trust (hereafter "the Trust"), which was set up for this incentive plan, borrows the funds necessary from a bank and acquires a substantial number of stocks that the Trust takes for five years after the establishment. Those stocks are acquired from the stock market during a fixed period of time and sold automatically and continuously to the Group. The Trust is to be terminated when all of the stocks with the Trust are sold. If profit accumulates from an increase in stock price, that profit is distributed to the members of the Group who are satisfied with the requirements to receive it. If losses accumulate with a fall in

stock price and the obligations of the Trust cannot be fully performed, the Company performs on behalf of the Trust based on the contract with the bank concerning compensation for the borrowing of the Trust.

(2) The remaining stocks in the Trust

The Company recorded the remaining stocks in the Trust as treasury stock in net assets based on the book value of the Trust, that is ¥245 million (\$2,039 thousand) and 245,000 stocks as of March 31, 2015

(3) The book value of the borrowing recorded in gross price method

¥11 million (\$92 thousand) as of March 31, 2015

For the year 2014

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) except Article 35 of Statement No. 26 and Article 67 of the Guidance No. 25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with Article 37 of Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income. As a result of the application, an asset and a liability for retirement benefits in the amount of ¥3,850 million and ¥8,788 million have been recognized, and accumulated other comprehensive income has decreased by ¥387 million at the end of the current fiscal year compared with the amounts that would have been reported without the change.

This change had no material impact on net assets per share.

(4) Securities

Equity securities issued by subsidiaries and affiliated companies not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale securities with available fair market values are stated principally at fair market value based on the average market price in the month before the balance sheet date.

Unrealized gains and losses on available-for-sale securities with available market prices are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost.

Available-for-sale securities with no available fair market values are stated at moving average cost.

If the fair market value of available-for-sale securities is not readily available, the securities are written down to net asset value with a corresponding charge in the income statement in the

event net asset value declines significantly and is not expected to recover.

(4) Inventories

Inventories are principally stated at the lower of cost or net realizable value and costed using the average cost method. Each valuation at cost means to write-down the book value using the decreased profitability method for the amount on the consolidated balance sheet.

(5) Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss, unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instruments until the related loss or gain on the hedged items are realized.

However, in cases in which forward foreign exchange contracts are used as hedges, meet certain hedging criteria and are executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate and no gain or loss on the forward foreign exchange contract will be recognized.

Interest rate swaps meeting the requirement of exceptional treatment under Japanese GAAP are not measured at fair value, but the difference between the payment amount and the receipt amount is included in the interest expense on the borrowings as the hedged item.

(6) Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation is computed principally by the straight-line method.

(7) Lease assets

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life of the asset or the lease term. The residual value is the guaranteed residual value if such value is set forth in the lease contract, otherwise the residual value is zero.

Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful life of the asset or lease term, as applicable. However, the Companies account for finance leases commenced prior to April 1, 2008 and which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information.

(8) Amortization of goodwill

Goodwill is amortized using the straight-line method within 20 years. A limited amount of goodwill is recognized as income directly when incurred.

(9) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. With respect to

normal trade accounts receivable, it is stated at an amount based upon the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amount is individually estimated.

(10) Allowance for investment loss

Allowance for investment loss is provided in an amount sufficient to cover the losses for investment based on financial soundness and is deducted directly from the amount of the asset.

(11) Provision for Directors' and statutory auditors' bonuses

Provision for directors' and statutory auditors' bonuses is provided in the amount of the expected payment for each fiscal year to those directors and statutory auditors serving at the end of the fiscal year.

(12) Provision for environmental measures

Provision for environmental measures is provided in the amount of the expected payment for environment alimprovement of our own land as of the year ended March 31, 2015,

(13) Provision for Directors' retirement benefits

Certain consolidated subsidiaries provide for directors' and statutory auditors' retirement benefits based on internal regulations in the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date.

(14) Accounting treatment for retirement benefits

The method for attributing projected benefits to periods was adopted for attributing the amount of expected retirement benefit in each period in calculating projected obligation. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period. Prior service cost is recognized in expenses using the straight-line method within the average of the estimated remaining service years commencing with the period incurred.

Some of the consolidated subsidiaries have adopted the simplified method for micro enterprises to calculate the amount of net defined benefit liability and retirement benefit expenses.

(15) Standards for recognition of construction revenue

When the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method; otherwise the completed contract method is applied. The percent, or portion, of the contract completed as of the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

(16) Research and development expenses

Research and development expenses, which were ¥2,793 million (\$23,242 thousand) and ¥2,864 million for the years ended March 31, 2015 and 2014, respectively, are recognized when paid and are included in general and administrative expenses.

(17) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are

translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

(18) Income taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(19) Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily available deposits placed with banks on demand and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

(20) Per share of common stock

The computations of net income per share are based on the weighted average number of shares of common stock outstanding during the period.

Diluted net income per share is based on the assumption that dilutive convertible bonds were converted and all stock options were exercised to the extent that each is not antidilutive at the beginning of the period.

Cash dividends per share presented in the statements of income represent the applicable cash dividends declared for each period.

(Accounting standards issued but not yet applied)

- Accounting Standard for Business Combination (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(a) Summary

The amended rules are for determining methods mainly for (1) changes in a parent's ownership interest in a subsidiary with continuing control after additional acquisition of stock of the subsidiary, (2) acquisition related costs, (3) presentation of net income and change in presentation from minority interests to non-controlling interests, (4) provisional accounting.

(b) Effective dates

The amended rules will be applied at the beginning of the fiscal year ended March 31, 2016. The provisional accounting methods will be applied for business combinations on and after April 1, 2015.

(c) Effect of application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

Notes to Consolidated Financial Statements

AIR WATER INC.

3. Statements of cash flows

The reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash on hand and in banks in the consolidated balance sheets	¥ 24,506	¥ 21,458	\$ 203,928
Time deposits with maturities exceeding 3 months	(743)	(707)	(6,183)
Securities (negotiable certificate of deposit)	5,000	–	41,608
Cash and cash equivalents in the consolidated statements of cash flows	¥ 28,763	¥ 20,751	\$ 239,353

The assets and liabilities of the newly acquired subsidiaries were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets	¥ 4,895	¥ 12,005	\$ 40,734
Noncurrent assets	1,209	5,041	10,061
Current liabilities	(4,358)	(8,837)	(36,265)
Noncurrent liabilities	(753)	(1,509)	(6,266)
Goodwill	1,454	1,493	12,099
Minority interests	(279)	(517)	(2,322)
Acquisition cost of stock	2,168	7,676	18,041
Carrying value under the equity method	(155)	–	(1,290)
Additional acquisition cost of stock	2,013	–	16,751
Cash and cash equivalents of acquired companies	(975)	(2,337)	(8,113)
Net expenditure (revenue)	¥ 1,038	¥ 5,339	\$ 8,638

4. Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise and finished goods	¥ 23,215	¥ 21,653	\$ 193,184
Work-in-process	6,785	5,231	56,462
Raw materials and supplies	9,159	8,695	76,217
	¥ 39,159	¥ 35,579	\$ 325,863

5. Securities

Available-for-sale securities with available fair market values at March 31, 2015 and 2014 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			2015		
	Book value	Acquisition cost	Difference gain (loss)	Book value	Acquisition cost	Difference gain (loss)	Book value	Acquisition cost	Difference gain (loss)
Securities with book values exceeding acquisition costs:									
Stocks	¥ 32,580	¥ 17,596	¥ 14,984	¥ 21,004	¥ 12,035	¥ 8,969	\$ 271,116	\$ 146,426	\$ 124,690
Subtotal	32,580	17,596	14,984	21,004	12,035	8,969	271,116	146,426	124,690
Securities with book values not exceeding acquisition costs:									
Stocks	2,637	3,097	(460)	6,403	7,475	(1,072)	21,944	25,772	(3,828)
Subtotal	2,637	3,097	(460)	6,403	7,475	(1,072)	21,944	25,772	(3,828)
Total	¥ 35,217	¥ 20,693	¥ 14,524	¥ 27,407	¥ 19,510	¥ 7,897	\$ 293,060	\$ 172,198	\$ 120,862

6. Land revaluation

On March 31, 2002, in accordance with "The Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land," the Company and some subsidiaries revalued land. The evaluation difference, net of the income tax effects, was directly charged to net assets.

The difference between the book value and the fair value of the revalued land as of March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Revalued land	¥ (3,487)	¥ (3,399)	\$ (29,017)

7. Short-term borrowings and long-term debt

The weighted average interest rate of short-term borrowings as of March 31, 2015 and 2014 was 0.57% and 0.22%, respectively.

Long-term debt as of March 31, 2015 and 2014 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans from banks and insurance companies due 2032 (weighted average interest rates - 0.80%)	¥ 97,251	¥ 96,568	\$ 809,279
0.54% unsecured bonds due 2015	10,000	10,000	83,215
0.48% unsecured bonds due 2015	19	57	158
Lease obligations through 2030	18,626	18,125	154,997
	125,896	124,750	1,047,649
Less amount due within one year	28,046	13,077	233,386
	97,850	111,673	814,263

The aggregate annual maturities of short-term debt and long-term debt as of March 31, 2015 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	2015	2015
2016	¥ 57,014	\$ 474,444
2017	12,120	100,857
2018	20,182	167,945
2019	17,829	148,365
2020	12,816	106,649
2021 and thereafter	34,903	290,447

As of March 31, 2015, assets were pledged as collateral for short-term debt of ¥3,914 million (\$32,571 thousand), long-term debt of ¥9,330 million (\$77,640 thousand) and others of ¥1,348 million (\$11,217 thousand) as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Land	¥ 9,679	\$ 80,544
Buildings and structures	3,092	25,730
Machinery and equipment	1,841	15,320
Cash and deposits (time deposits)	29	241
Investment securities	103	857
Property, plant and equipment	33	275
Investments and other assets	190	1,581
	¥ 14,967	\$ 124,548

Notes to Consolidated Financial Statements

As of March 31, 2014, assets were pledged as collateral for short-term bank loans of ¥2,087 million, long-term bank loans of ¥7,989 million and others of ¥1,010 million as follows:

	Millions of yen
	2015
Land	¥ 11,850
Buildings and structures	6,834
Machinery and equipment	4,936
Cash and deposits (time deposits)	10
Investment securities	72
Property, plant and equipment	40
Investments and other assets	185
	¥ 23,927

8. Derivative financial instruments and hedging transactions

Derivative financial instruments and hedging transactions were as follows:

(1) Derivatives transactions for which hedge accounting does not apply

For the years 2015 and 2014

None

(2) Derivatives transactions for which hedge accounting applies

For the year 2015

① Currency related

Hedge accounting method	Type of transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amount	Portion over 1 year	Fair value	Contract amount	Portion over 1 year	Fair value
Deferral hedge accounting	Forward exchange contracts:							
	Purchased option to sell							
	U.S. dollars	Accounts receivable - trade	¥ 1,746	¥ 27	¥ (40)	\$ 14,529	\$ 225	\$ (333)
	Euro	Accounts receivable - trade	313	42	11	2,605	349	91
	Thai baht	Accounts receivable - trade	61	-	(9)	508	-	(75)
	Purchased option to buy							
	U.S. dollars	Accounts payable - trade	3,546	2	98	29,508	17	816
	Euro	Accounts payable - trade	59	-	(2)	491	-	(17)
	Chinese yuan	Accounts payable - trade	1,157	-	28	9,628	-	233
	Singapore dollars	Accounts payable - trade	53	-	(1)	441	-	(8)
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable period	Forward exchange contracts:							
	Purchased option to sell							
	U.S. dollars	Accounts receivable - trade	141	-	(Note 2)	1,173	-	(Note 2)
	Euro	Accounts receivable - trade	62	-	(Note 2)	516	-	(Note 2)
	Purchased option to buy							
	U.S. dollars	Accounts payable - trade	24	-	(Note 2)	200	-	(Note 2)
	Chinese yuan	Accounts payable - trade	106	-	(Note 2)	882	-	(Note 2)
Other								
U.S. dollars	Short-term loans receivable	118	-	(Note 2)	982	-	(Note 2)	
Total			¥ 7,386	¥ 71	¥ 85	\$ 61,463	\$ 591	\$ 707

For the year 2014		Millions of yen			
Hedge accounting method	Type of transaction	Hedged items	Contract amount	Portion over 1 year	Fair value
Deferral hedge accounting	Forward exchange contracts:				
	Purchased option to sell				
	U.S. dollars	Accounts receivable - trade	¥ 1,527	¥ 20	¥ 1
	Euro	Accounts receivable - trade	307	55	(7)
	Purchased option to buy				
	U.S. dollars	Accounts payable - trade	2,285	-	35
	Euro	Accounts payable - trade	107	-	3
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable period	Forward exchange contracts:				
	Purchased option to sell				
	U.S. dollars	Accounts receivable - trade	83	-	(Note 2)
	Euro	Accounts receivable - trade	120	-	(Note 2)
	Purchased option to buy				
	U.S. dollars	Accounts payable - trade	419	-	(Note 2)
	Chinese yuan	Accounts payable - trade	90	-	(Note 2)
Other					
U.S. dollars	Short-term loans receivable	103	-	(Note 2)	
Total			¥ 6,099	¥ 75	¥ 7

Notes: 1. Fair value is based on information provided by financial institutions at the end of the fiscal year.

2. For certain accounts receivable - trade and accounts payable - trade denominated in foreign currencies and for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, the fair value of the derivative financial instrument is included in the fair value of the accounts receivable - trade and accounts payable - trade as hedged items.

② Interest rate related

For the year 2015		Millions of yen			Thousands of U.S. dollars			
Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value	Contract amount	Portion over 1 year	Fair value
Deferral hedge accountings	Interest rate swap:							
	Receive floating rate and pay fixed rate	Long-term loans payable	¥ 9,984	¥ 8,305	¥ (365)	\$ 83,082	\$ 69,110	\$ (3,037)
Special treatment of interest rate swaps	Interest rate swap:							
	Receive floating rate and pay fixed rate	Long-term loans payable	37,864	37,687	(Note 2)	315,087	313,614	(Note 2)
Total			¥ 47,848	¥ 45,992	¥ (365)	\$ 398,169	\$ 382,724	\$ (3,037)

For the year 2014		Millions of yen			
Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Deferral hedge accounting	Interest rate swap:				
	Receive floating rate and pay fixed rate	Long-term loans payable	12,747	9,983	(469)
Special treatment of interest rate swaps	Interest rate swap:				
	Receive floating rate and pay fixed rate	Long-term loans payable	36,980	36,527	(Note 2)
Total			¥ 49,727	¥ 46,510	¥ (469)

Notes: 1. Fair value is based on information provided by financial institutions at the end of the fiscal year.

2. The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loan.

9. Income taxes

The Companies are subject to a number of taxes based on income, which, in aggregate, indicate a statutory tax rate in Japan of approximately 35.6% for the year ended March 31, 2015 and 38.0% for the year ended March 31, 2014.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2015 and 2014.

	2015	2014
Statutory tax rate	35.6%	-
Nondeductible expenses	1.2	-
Amortization of goodwill	1.5	-
Equity in earnings of nonconsolidated subsidiaries and affiliates	(0.8)	-
Per capita inhabitants taxes	0.6	-
Gain on bargain purchases	(1.4)	-
Effect of changes in tax rate	0.7	-
Increase (decrease) in valuation allowance	3.2	-
Return of surcharge	(2.8)	-
Other	0.8	-
Effective tax rate	38.6	-

(Note) Because the difference in the statutory tax rate and the income tax after the application of tax effect accounting was less than five per cent of the statutory tax rate, notes for the year ended March 31, 2014 have been omitted.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥ 2,187	¥ 3,585	\$ 18,199
Loss on business of subsidiaries and affiliates	1,919	1,956	15,969
Excess bonuses accrued	1,731	1,804	14,405
Impairment loss	1,720	2,132	14,313
Net operating loss carried forward for tax purposes	1,410	1,704	11,733
Loss on valuation of investment securities	933	809	7,764
Allowance for investment loss	604	-	5,026
Accrued enterprise taxes	525	639	4,369
Other	5,036	4,799	41,908
Total deferred tax assets	16,065	17,428	133,686
Valuation allowance	(6,985)	(6,290)	(58,126)
Net deferred tax assets	9,080	11,138	75,560
Deferred tax liabilities:			
Net unrealized holding gains on securities	(4,645)	(2,829)	(38,654)
Retained earnings appropriated for allowable tax reserves	(3,315)	(3,696)	(27,586)
Variance of estimate of capital consolidation	(1,371)	(1,375)	(11,409)
Gain on contribution of securities to retirement benefit trust	(998)	(1,048)	(8,305)
Other	(1,135)	(473)	(9,445)
Total deferred tax liabilities	(11,464)	(9,421)	(95,399)
Net deferred tax assets (net deferred tax liabilities)	¥ (2,384)	¥ 1,717	\$ (19,839)

Deferred tax assets and liabilities for land revaluation difference as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets	¥ 3,423	¥ 3,783	\$ 28,485
Valuation allowance	(3,365)	(3,719)	(28,002)
Net deferred tax assets	58	64	483
Deferred tax liabilities	¥ (1,036)	¥ (1,140)	\$ (8,621)

(Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates)
 On March 31, 2015, amendments to Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 35.6% to 33.0% on and after April 1, 2015 and 32.2% on and after April 1, 2016 for the measurement of deferred tax assets and liabilities. These changes brought an increase of net deferred tax assets by ¥461 million (\$3,836 thousand), deferred income tax expense by ¥81 million (\$674 thousand), valuation difference on available-for-sale securities by ¥479 million (\$3,986 thousand), remeasurements of defined benefit plans by ¥73 million (\$607 thousand) and deferred gains or losses on hedges by ¥10 million (\$83 thousand) for the year ended March 31, 2015 compared with the amounts that would have been reported without the change. And also due to these changes, deferred tax liabilities for land revaluation difference decreased by ¥98 million (\$816 thousand) and revaluation reserve for land increased by the same amount.

10. Net assets

Under the Japanese Corporate Law and regulations (hereafter "the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings of the consolidated balance sheets.

In addition, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or could be capitalized. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Moreover, additional paid-in capital and legal earnings reserve may not be directly distributed as dividends. However, additional paid-in capital and the legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the Board of Directors meeting held on May 14, 2015, the Company resolved the appropriation of surplus as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥15.00 = U.S. \$0.12 per share)	¥ 2,942	\$ 24,482

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved.

11. Segment information

1. General information about reportable segments

Reportable segments of the Company are the components of an entity about which separate financial information is available and which is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance. With the segment information, the Company develops comprehensive business strategies for the products and services and undertakes business activities. Accordingly, the Company's business is separated based on its products and services into 6 segments: Industrial Gas Business, Chemical Business, Medical Business, Energy Business, Agriculture and Food Products Business and Other Businesses, all treated as reportable segments.

The Industrial Gas Business segment provides manufacturing and sales of industrial gas such as oxygen, nitrogen and argon. In addition, this business segment provides manufacturing and installation related to high pressure gas and gas generators. The Chemical Business segment provides manufacturing and sales of basic chemical products and fine chemical products. The Medical Business segment provides manufacturing and sales of medical gas such as oxygen and nitrogen. In addition, this business segment provides various medical equipments and the hospital facility construction business. The Energy Business segment provides sales of petrochemical products such as LP gas and kerosene and other products. The Agriculture and Food Products Business segment provides manufacturing and sales of fruit and vegetables, frozen foods, processed meat products and

beverages. The Other Businesses segment consists of the Logistics Business, Seawater Business and Aerosol Business. The Seawater Business provides manufacturing and sales of salt, salt by-products, electro fused magnesia and magnesia oxide.

Due to changes in the structure of our group's organization, the business results management segments were changed effective the fiscal year 2014. As a result, AW-Water Business, Nichinoki Seiko Co., Ltd. and Nichinoki Co., Ltd., which previously were classified under "Other Businesses," have been moved into "Agriculture and Food Products Business;" our Welfare and Home Care Business, which was also under "Other Businesses," has been re-classified into "Medical Business;" and "Hokkaido Air Water Engineering K.K.," which belonged to "Industrial Gas Business," has been re-classified into "Other Businesses." Also, the segment information for the previous year has been revised in accordance with the above new reporting segment classification, and this revision has been released.

2. Basis of measurement about reported segment sales, segment profit or loss, segment asset, and other material items

The accounting methods used for reportable segments are the same as those used for the preparation of the consolidated financial statements. Profits for reportable segments are ordinary income. Profits and transfer sums for intersegment sales and transactions within the Group are based on market prices.

Notes to Consolidated Financial Statements

3. Information about reported segment profit or loss, segment assets and other material items

For the year 2015	Reportable Segment							Adjustment (Note 2)	Millions of yen Amounts reported on consolidated financial statements (Note 1)
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Net sales:									
Customers	¥ 203,129	¥ 102,644	¥ 118,324	¥ 52,825	¥ 71,394	¥ 112,226	¥ 660,542	¥ -	¥ 660,542
Intersegment	3,140	65	342	2,773	619	20,619	27,558	(27,558)	-
Total	206,269	102,709	118,666	55,598	72,013	132,845	688,100	(27,558)	660,542
Segment profit	12,703	2,536	7,632	3,175	2,106	7,964	36,116	2,043	38,159
Segment assets	192,724	44,518	68,198	28,345	48,195	119,930	501,910	45,733	547,643
Other items:									
Depreciation and amortization	12,576	2,603	1,334	2,092	1,868	4,749	25,222	-	25,222
Amortization of goodwill	789	-	310	482	510	22	2,113	-	2,113
Interest income	5	1	4	3	3	12	28	145	173
Interest expense	443	11	50	10	44	120	678	775	1,453
Equity in earnings of nonconsolidated subsidiaries and affiliates	92	(26)	-	31	-	739	836	45	881
Investment amounts to equity method companies	868	758	-	547	-	4,964	7,137	-	7,137
Increase in amounts of fixed assets and intangible fixed assets	13,248	1,060	1,357	2,626	2,630	9,892	30,813	1,215	32,028

For the year 2015	Reportable Segment							Adjustment (Note 2)	Thousands of U.S. dollars Amounts reported on consolidated financial statements (Note 1)
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Net sales:									
Customers	\$ 1,690,347	\$ 854,157	\$ 984,638	\$ 439,586	\$ 594,108	\$ 933,894	\$ 5,496,730	\$ -	\$ 5,496,730
Intersegment	26,130	541	2,846	23,075	5,151	171,582	229,325	(229,325)	-
Total	1,716,477	854,698	987,484	462,661	599,259	1,105,476	5,726,055	(229,325)	5,496,730
Segment profit	105,709	21,103	63,510	26,421	17,525	66,273	300,541	17,001	317,542
Segment assets	1,603,761	370,458	567,513	235,874	401,057	998,003	4,176,666	380,570	4,557,236
Other items:									
Depreciation and amortization	104,652	21,661	11,101	17,409	15,544	39,519	209,886	-	209,886
Amortization of goodwill	6,566	-	2,579	4,011	4,244	183	17,583	-	17,583
Interest income	42	8	33	25	25	100	233	1,207	1,440
Interest expense	3,686	92	416	83	366	999	5,642	6,449	12,091
Equity in earnings of nonconsolidated subsidiaries and affiliates	765	(216)	-	258	-	6,150	6,957	374	7,331
Investment amounts to equity method companies	7,223	6,308	-	4,552	-	41,308	59,391	-	59,391
Increase in amounts of fixed assets and intangible fixed assets	110,244	8,821	11,292	21,852	21,886	82,317	256,412	10,110	266,522

Notes: 1. Segment profit is adjusted to be consistent with ordinary income reported on the consolidated statements of income.

2. Adjustments are as follows:
 (1) The adjustment to intersegment of ¥27,558 million (-\$229,325 thousand) is the elimination of intersegment transactions.
 (2) The adjustment to segment profit of ¥2,043 million (\$17,001 thousand) is the sum of corporate expenses, research and development department expenses, profit or loss related to financing and equity in earnings and losses of nonconsolidated subsidiaries and affiliates.
 (3) The adjustment to segment assets of ¥45,733 million (\$380,570 thousand) is the sum of eliminated intersegment assets of ¥18,094 million (-\$150,570 thousand) and corporate assets of ¥63,827

million (\$531,140 thousand) that cannot be assigned to any particular segment.

- (4) The adjustment to interest income of ¥145 million (\$1,207 thousand) is interest income that cannot be assigned to any particular segment.
 (5) The adjustment to interest expense of ¥775 million (\$6,449 thousand) is interest expense that cannot be assigned to any particular segment.
 (6) The adjustment to equity in earnings of nonconsolidated subsidiaries and affiliates of ¥45 million (\$374 thousand) is investment by corporate that cannot be assigned to any particular segment.
 (7) The adjustment to increase in amounts of fixed assets and intangible fixed assets of ¥1,215 million (\$10,110 thousand) is mostly corporate assets that cannot be assigned to any particular segment.

For the year 2014	Reportable Segment							Adjustment (Note 2)	Millions of yen Amounts reported on consolidated financial statements (Note 1)
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Net sales:									
Customers	¥ 189,176	¥ 95,161	¥ 120,018	¥ 57,279	¥ 71,661	¥ 107,961	¥ 641,256	¥ -	¥ 641,256
Intersegment	3,536	48	470	1,955	488	18,729	25,226	(25,226)	-
Total	192,712	95,209	120,488	59,234	72,149	126,690	666,482	(25,226)	641,256
Segment profit	13,072	2,893	7,618	3,238	2,564	7,121	36,506	(225)	36,281
Segment assets	183,174	51,240	66,182	31,967	47,469	103,153	483,185	44,907	528,092
Other items:									
Depreciation and amortization	12,381	2,566	1,311	1,992	1,634	4,454	24,338	-	24,338
Amortization of goodwill	701	-	325	525	477	5	2,033	-	2,033
Interest income	5	0	4	2	1	8	20	216	236
Interest expense	455	10	53	4	52	123	697	870	1,567
Equity in earnings of nonconsolidated subsidiaries and affiliates	141	499	-	30	-	498	1,168	234	1,402
Investment amounts to equity method companies	904	758	-	547	-	4,964	7,173	-	7,173
Increase in amounts of fixed assets and intangible fixed assets	9,738	832	1,433	2,949	2,624	14,114	31,690	659	32,349

Notes: 1. Segment profit is adjusted to be consistent with ordinary income reported on the consolidated statements of income.
 2. Adjustments are as follows:
 (1) The adjustment to intersegment of ¥25,226 million is the elimination of intersegment transactions.
 (2) The adjustment to segment profit of ¥225 million is the sum of corporate expenses, research and development department expenses, profit or loss related to financing, expenses related to improving the constitution of the Company and equity in earnings and losses of nonconsolidated subsidiaries and affiliates.
 (3) The adjustment to segment assets of ¥44,907 million is the sum of eliminated intersegment assets of ¥14,503 million and corporate assets of ¥59,410 million that cannot be assigned to any

particular segment.
 (4) The adjustment to interest income of ¥216 million is interest income that cannot be assigned to any particular segment.
 (5) The adjustment to interest expense of ¥870 million is interest expense that cannot be assigned to any particular segment.
 (6) The adjustment to equity in earnings of nonconsolidated subsidiaries and affiliates of ¥234 million is investment by corporate that cannot be assigned to any particular segment.
 (7) The adjustment to increase in amounts of fixed assets and intangible fixed assets of ¥659 million is mostly corporate assets that cannot be assigned to any particular segment.

(Related information)

1. Information by Area

For the year 2015 and 2014

(1) Net sales

This information was omitted as sales to external customers in Japan exceeded 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment

This information was omitted as property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheets.

2. Information by Major Customer

For the year 2015

Customer	Sales (Millions of yen)	Sales (Thousands of U.S. dollars)	Related segments
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥ 109,538	\$ 911,525	Industrial Gas, Chemical, Other

For the year 2014

Customer	Sales (Millions of yen)	Related segments
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥ 97,237	Industrial Gas, Chemical, Other

3. Information on impairment loss in noncurrent assets for each reportable segment

For the year 2015

	Reportable Segment							Eliminations and Corporate	Total
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Impairment loss	¥ 161	¥ 116	¥ -	¥ 0	¥ -	¥ 373	¥ 650	¥ 93	¥ 743

	Reportable Segment							Eliminations and Corporate	Total
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Impairment loss	\$ 1,340	\$ 965	\$ -	\$ 0	\$ -	\$ 3,104	\$ 5,409	\$ 774	\$ 6,183

For the year 2014

	Reportable Segment							Eliminations and Corporate	Total
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Impairment loss	¥ 103	¥ -	¥ -	¥ -	¥ -	¥ 253	¥ 356	¥ 496	¥ 852

4. Information on amortization of goodwill and the amortized balance for each reportable segment

For the year 2015									
Millions of yen									
	Reportable Segment							Eliminations and Corporate	Total
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Amortization of goodwill	¥ 789	¥ –	¥ 310	¥ 482	¥ 510	¥ 22	¥ 2,113	¥ –	¥ 2,113
Balance at end of period	¥ 6,246	¥ –	¥ 2,388	¥ 1,147	¥ 3,374	¥ 811	¥ 13,966	¥ –	¥ 13,966

Thousands of U.S.dollars									
	Reportable Segment							Eliminations and Corporate	Total
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Amortization of goodwill	\$ 6,566	\$ –	\$ 2,579	\$ 4,011	\$ 4,244	\$ 183	\$ 17,583	\$ –	\$ 17,583
Balance at end of period	\$ 51,976	\$ –	\$ 19,872	\$ 9,545	\$ 28,077	\$ 6,749	\$ 116,219	\$ –	\$ 116,219

For the year 2014									
Millions of yen									
	Reportable Segment							Eliminations and Corporate	Total
	Industrial Gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Amortization of goodwill	¥ 701	¥ –	¥ 325	¥ 525	¥ 477	¥ 5	¥ 2,033	¥ –	¥ 2,033
Balance at end of period	¥ 5,694	¥ –	¥ 2,227	¥ 1,302	¥ 3,884	¥ 854	¥ 13,961	¥ –	¥ 13,961

5. Information on gain on negative goodwill for reportable segments

For the year 2015
The Companies acquired additional shares of a consolidated subsidiary and gain on bargain purchase of ¥16 million (\$133 thousand) in the Industrial Gas Business segment, ¥7 million (\$58 thousand) in the Medical Business segment, ¥19 million (\$158 thousand) in the Agriculture and Food Products Business segment and ¥1,469 million (\$12,224 thousand) in the Other Businesses segment was recorded.

For the year 2014
The Companies acquired additional shares of a consolidated subsidiary in the Other Businesses segment. Therefore, gain on negative goodwill of ¥98 million was recorded.

12. Contingent liabilities

As of March 31, 2015, the Companies were contingently liable with respect to notes receivable discounted in the amount of ¥173 million (\$1,440 thousand). As of the same date, the Companies were also contingently liable as guarantors for loans of other companies and employees in the amount of ¥6,769 million (\$56,329 thousand).

As of March 31, 2014, the Companies were contingently liable with respect to notes receivable discounted in the amount of ¥1,010 million. As of the same date, the Companies were also contingently liable as guarantors for loans of other companies and employees in the amount of ¥2,272 million.

13. Compensation income

Compensation income is mainly income connected with the Tohoku Region Pacific Coast Earthquake on March 11, 2011.

14. Return of surcharge

The Company received the payment order of surcharge from the Fair Trade Commission on May 26, 2011 due to violation of the Antimonopoly Law. The Company paid this surcharge and then requested appeal against it to the Fair Trade Commission on July 22, 2011. On November 19, 2013 the Company received the rejection for this request. However, on October 14, 2014, a decision by the Tokyo High Court reversed the trial decision and provided that the payment order of surcharge of the Fair Trade Commission should have been rescinded in part. As a result, the Company received a refund of part of the surcharge on October 15, 2014 and recorded it as extraordinary income. ¥391 million (\$3,254 thousand), the amount of interest on the refund, was included as other in non-operating income in the consolidated statements of income.

15. Environmental expenses

Environmental expenses are the amount and the expected amount of payment mainly for environmental improvement of our own land.

16. Comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	¥ 6,649	¥ 5,156	\$ 55,330
Reclassification adjustments	(43)	12	(358)
Subtotal, before tax	6,606	5,168	54,972
Tax (expense) or benefit	(1,865)	(1,839)	(15,520)
Subtotal, net of tax	¥ 4,741	¥ 3,329	\$ 39,452
Deferred gains or losses on hedges			
Increase (decrease) during the year	¥ 35	¥ (94)	\$ 291
Reclassification adjustments	146	159	1,215
Subtotal, before tax	181	65	1,506
Tax (expense) or benefit	(76)	(21)	(632)
Subtotal, net of tax	¥ 105	¥ 44	\$ 874
Revaluation reserve for land			
Increase (decrease) during the year	¥ –	¥ –	\$ –
Reclassification adjustments	–	–	–
Subtotal, before tax	–	–	–
Tax (expense) or benefit	98	55	816
Subtotal, net of tax	¥ 98	¥ 55	\$ 816
Foreign currency translation adjustment			
Increase (decrease) during the year	¥ 171	¥ 249	\$ 1,423
Reclassification adjustments	–	–	–
Subtotal, before tax	171	249	1,423
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	¥ 171	¥ 249	\$ 1,423
Remeasurements of defined benefit plans, net of tax			
Increase (decrease) during the year	¥ 2,447	–	\$ 20,363
Reclassification adjustments	498	–	4,144
Subtotal, before tax	2,945	–	24,507
Tax (expense) or benefit	(976)	–	(8,122)
Subtotal, net of tax	¥ 1,969	–	\$ 16,385
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	¥ 81	¥ 254	\$ 674
Total other comprehensive income	¥ 7,165	¥ 3,931	\$ 59,624

17. Finance leases

Information on finance leases commenced prior to April 1, 2008 that do not transfer ownership of the leased assets to the lessee and were accounted for as operating leases for the year ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
(1) Future minimum lease payments, including financing charges:			
Due within one year	¥ 1,571	¥ 1,605	\$ 13,073
Due after one year	3,047	4,676	25,356
	¥ 4,618	¥ 6,281	\$ 38,429

Allowance for impairment loss on leased property of ¥13 million (\$108 thousand) as of March 31, 2015 was not included in obligations under finance leases.

Allowance for impairment loss on leased property of ¥17 million as of March 31, 2014 was not included in obligations under finance leases.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
(2) Original lease obligation, payments made, accumulated impairment loss and remaining balance:			
Original lease obligation	¥ 9,276	¥ 11,117	\$ 77,191
Payments made	6,907	7,811	57,477
Accumulated impairment loss	30	30	250
Remaining balance	¥ 2,339	¥ 3,276	\$ 19,464
(3) Lease payments for the period	¥ 1,229	¥ 1,356	\$ 10,227

If the above finance leases had been capitalized, reversal of allowance for impairment loss on leased property of ¥4 million (\$33 thousand), depreciation of ¥989 million (\$8,230 thousand) and interest of ¥112 million (\$932 thousand) would have been recorded for the year ended March 31, 2015.

If the above finance leases had been capitalized, reversal of allowance for impairment loss on leased property of ¥4 million, depreciation of ¥1,107 million, interest of ¥143 million and impairment loss of ¥17 million would have been recorded for the year ended March 31, 2014.

18. Operating leases

Obligations under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 116	¥ 110	\$ 965
Due after one year	497	596	4,136
	¥ 613	¥ 706	\$ 5,101

19. Employees' severance and pension benefits

For the year 2015

1. Summary of adopted retirement benefit plan

The Companies have funded or unfunded defined benefit pension plans and funded or unfunded defined contribution pension plans to provide retirement and severance benefits to substantially all employees. Under the defined benefit pension plans, employees are entitled to lump-sum payments or pension payments based on their earnings and the length of service at retirement or termination of employment. The Company and certain subsidiaries adopted cash balance plans. Under the cash balance plans, each employee has a notional account which represents pension benefits. The balance in the notional account is based on principal credits, which are accumulated as

employees render services, and interest credits, which are determined based on the market interest rates. Certain defined benefit pension plans have a pension trust. Under lump-sum pension plans (some of these plans are funded by pension trust), employees are entitled to lump-sum payments based on their earnings and the length of service at retirement or termination of employment. In addition, the Company and certain subsidiaries use the simplified method to determine pension benefit obligations.

Certain subsidiaries have adopted defined contribution pension plans or the Smaller Enterprise Retirement Allowance Mutual Aid System as a defined contribution plan.

2. Defined benefit plans

(1) Movement in retirement benefit obligations, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance	¥ 27,543	¥ 28,718	\$ 229,200
Cumulative effects of changes in accounting policies	¥ (385)	–	\$ (3,204)
Restated balance	27,158	28,718	225,996
Service cost	1,132	1,159	9,420
Interest cost	266	289	2,214
Actuarial loss (gain)	(514)	(2,014)	(4,277)
Benefits paid	(598)	(605)	(4,976)
Other	133	(4)	1,106
Ending balance	27,577	27,543	229,483

(2) Movements in plan assets, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance	¥ 26,203	¥ 23,931	\$ 218,049
Expected return on plan assets	207	187	1,723
Actuarial loss (gain)	1,826	825	15,195
Contributions paid by the employer	1,487	1,431	12,374
Benefits paid	(156)	(160)	(1,298)
Other	(116)	(11)	(965)
Ending balance	29,451	26,203	245,078

(3) Movement in net defined benefit liability of plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance	¥ 3,597	¥ 3,299	\$ 29,933
Retirement benefit cost	413	527	3,437
Benefits paid	(327)	(465)	(2,721)
Contributions paid by the employer	(151)	(146)	(1,257)
Other	(247)	382	(2,056)
Ending balance	3,285	3,597	27,336

(Note) "Other" is a decrease caused by change in pension system to a group company pension system in some consolidated subsidiaries and an increase by new acquisitions for the year ended March 31, 2015 and an increase by new acquisitions for the year ended March 31, 2014.

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥ 28,733	¥ 28,398	\$ 239,103
Plan assets	(30,800)	(27,443)	(256,304)
	(2,067)	955	(17,201)
Unfunded retirement benefit obligations	3,479	3,983	28,951
Total net liability (asset) for retirement benefits at year end	1,412	4,938	11,750
Liability for retirement benefits	6,322	8,788	52,609
Asset for retirement benefits	(4,910)	(3,850)	(40,859)
Total net liability (asset) for retirement benefits at year end	1,412	4,938	11,750

(Note) Includes plans that applied the simplified method

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 1,132	¥ 1,159	\$ 9,420
Interest cost	266	289	2,214
Expected return on plan assets	(207)	(186)	(1,723)
Net actuarial loss amortization	855	1,420	7,115
Past service costs amortization	(361)	(356)	(3,004)
Retirement benefit cost calculated with simplified method	413	527	3,437
Total retirement benefit costs for the fiscal year	2,098	2,853	17,459

(6) Remeasurements of defined benefit plans, net of tax

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service costs	¥ (253)	–	\$ (2,105)
Actuarial differences	3,198	–	26,612
Total balance at year end	2,945	–	24,507

(7) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service costs	¥ (865)	¥ (1,118)	\$ (7,198)
Unrecognized actuarial differences	(1,475)	1,723	(12,274)
Total balance at year end	(2,340)	605	(19,472)

(8) Plan assets

1) Plan assets comprise:

	2015	2014
	Bonds	22.1%
Equity securities	53.9%	55.1%
General accounts	18.1%	17.2%
Other	5.9%	6.0%
Total	100.0%	100.0%

(Note) The pension trust set up for corporate pension plans and lump-sum plan represented 26.8% of total plan assets for the year ended March 31, 2015 and 26.2 percent for the year ended March 31, 2014.

2) Long-term expected rate of return

The principal actuarial assumptions as follows:

	2015	2014
	Discount rate	mainly 0.96%
Long-term expected rate of return	mainly 1.0%	mainly 1.0%

3. Defined contribution plan

Contributions to the plan from the Company and consolidated subsidiaries were ¥254 million (\$2,114 thousand) for the year ended March 31, 2015 and ¥230 million for the year ended March 31, 2014.

20. Stock options

1. Expenses recorded were ¥63 million (\$524 thousand) in the year ended March 31, 2015 and ¥60 million in the year ended March 31, 2014 and were included in selling, general and administrative expenses.

2. Details, number, movement and price of stock options

(1) The following table summarizes the details of stock options:

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 8, 2007	July 30, 2008
Persons granted	18 directors	17 directors
Number of options granted	60,100 shares of common stock	67,300 shares of common stock
Date of grant	August 31, 2007	September 1, 2008
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	–	–
Exercise period	From September 1, 2007 to August 31, 2027	From September 2, 2008 to September 1, 2028

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 12, 2009	August 13, 2010
Persons granted	20 directors	19 directors
Number of options granted	80,100 shares of common stock	88,700 shares of common stock
Date of grant	September 1, 2009	September 1, 2010
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	–	–
Exercise period	From September 2, 2009 to September 1, 2029	From September 2, 2010 to September 1, 2030

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 12, 2011	August 14, 2012
Persons granted	18 directors	17 directors
Number of options granted	94,700 shares of common stock	85,400 shares of common stock
Date of grant	September 1, 2011	August 31, 2012
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	–	–
Exercise period	From September 2, 2011 to September 1, 2031	From September 1, 2012 to August 31, 2032

Company name	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 14, 2013	August 8, 2014
Persons granted	17 directors	17 directors
Number of options granted	54,000 shares of common stock	47,800 shares of common stock
Date of grant	August 30, 2013	September 1, 2014
Vesting conditions	Holder relinquishes position as a director of the Company	Holder relinquishes position as a director of the Company
Eligible employment period	–	–
Exercise period	From August 31, 2013 to August 30, 2033	From September 2, 2014 to September 1, 2034

Company name	Nihonkaisui Co., Ltd.
Date of resolution	September 28, 2007
Persons granted	5 directors and 5 employees
Number of options granted	408,991 shares of common stock
Date of grant	September 29, 2007
Vesting conditions	-
Eligible employment period	-
Exercise period	From September 29, 2009 to September 28, 2017

(2) The following table summarizes number of stock options

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 8, 2007	July 30, 2008	August 12, 2009	August 13, 2010	August 12, 2011
Before vesting options (number of shares)					
April 1, 2014	30,700	40,600	62,100	71,100	82,600
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	9,500	15,500	19,500	16,700	17,400
March 31, 2015	21,200	25,100	42,600	54,400	65,200
After vesting options (number of shares)					
April 1, 2014	-	-	-	-	-
Vested	9,500	15,500	19,500	16,700	17,400
Exercised	3,700	8,600	7,500	3,000	3,100
Forfeited	-	-	-	-	-
March 31, 2015	5,800	6,900	12,000	13,700	14,300

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	Nihonkaisui Co., Ltd.
Date of resolution	August 14, 2012	August 14, 2013	August 8, 2014	September 28, 2007
Before vesting options (number of shares)				
April 1, 2014	85,400	54,000	-	-
Granted	-	-	47,800	-
Forfeited	-	-	-	-
Vested	14,800	9,000	-	-
March 31, 2015	70,600	45,000	47,800	-
After vesting options (number of shares)				
April 1, 2014	-	-	-	223,591
Vested	14,800	9,000	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
March 31, 2015	14,800	9,000	-	223,591

The following table summarize price per shares

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.
Date of resolution	August 8, 2007	July 30, 2008	August 12, 2009	August 13, 2010	August 12, 2011
Exercise price (yen)	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise (yen)	1,801	1,598	1,673	1,432	1,482
Fair value price at grant date (yen)	1,001	1,104	868	746	741

Company name	AIR WATER INC.	AIR WATER INC.	AIR WATER INC.	Nihonkaisui Co., Ltd.
Date of resolution	August 14, 2012	August 14, 2013	August 8, 2014	September 28, 2007
Exercise price (yen)	¥1	¥1	¥1	¥540
Average stock price at exercise (yen)	-	-	-	-
Fair value price at grant date (yen)	715	1,100	1,410	-

21. Related party transactions

The Company directly owned 49% of Sakai Gases Center Co. Ltd.

Significant transactions between the Company and the related party for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Payments of long-term loans receivable	¥ 11,750	¥ 7,000	\$ 97,778
Interest income	97	170	807

The balance of the Company due to the related party for the year ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term loans receivable	¥ 800	¥ 2,150	\$ 6,657
Long-term loans receivable	8,209	7,359	68,312

22. Financial instruments

Financial instruments were as follows:

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Companies restrict its funds management to time deposits and other short-term investments. Also, the Companies' policy is to raise funds mainly by borrowing from banks and issuing bonds. The Companies' policy is to use derivatives strictly as hedges to avoid the risks of interest rate fluctuations and foreign currency exchange fluctuations that arise in export and import transactions. The Companies do not conduct any speculative transactions.

(2) Financial instruments, associated risks and the risk management system

Operating receivables, including notes and accounts receivable - trade, are exposed to the credit risk of customers. To minimize the credit risk, the Companies perform due date controls and balance controls for each customer in accordance with internal regulations and regularly screen the credit status of major customers.

The Companies are exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Companies have operational relationships. The Companies assess the fair values on a quarterly basis.

Trade liabilities, including notes and accounts payable - trade are mostly current with due dates within a year.

Short-term loans payable are primarily used for short-term fund raising related to operations. Bonds payable, long-term loans payable and lease obligations are used mainly for capital investment and are exposed to the risk of interest rate fluctuations.

(3) Supplemental information on the fair value of financial instruments

The fair value of financial instruments is based on market prices or a reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions. In addition, the contractual amounts of the derivatives transactions described below in the note "Derivative financial instruments and hedging transactions" do not represent the market risk of the derivative transactions themselves.

2. Fair value of financial instruments

Fair value, the carrying value reported in the balance sheets and any difference as of March 31, 2015 and March 31, 2014 are set forth in the table below. Financial instruments for which it is extremely difficult to measure the fair value are not included.

(For the year 2015)	Millions of yen			Thousands of U.S. dollars		
	Carrying value reported in the balance sheets (*1)	Fair value (*1)	Difference	Carrying value reported in the balance sheets (*1)	Fair value (*1)	Difference
(1) Cash and deposits	¥ 24,506	¥ 24,506	¥ -	\$ 203,928	\$ 203,928	\$ -
(2) Notes and accounts receivable - trade	141,020	141,020	-	1,173,504	1,173,504	-
(3) Short-term loans receivable	3,904	3,904	-	32,487	32,487	-
(4) Investment securities						
Other securities	35,217	35,217	-	293,060	293,060	-
(5) Long-term loans receivable (*2)	11,116	-	-	92,502	-	-
Allowance for doubtful accounts	(110)	-	-	(915)	-	-
	11,006	11,056	50	91,587	92,003	416
(6) Notes and accounts payable - trade	(91,444)	(91,444)	-	(760,955)	(760,955)	-
(7) Short-term loans payable	(28,968)	(28,968)	-	(241,059)	(241,059)	-
(8) Current portion of long-term loans payable	(15,575)	(15,575)	-	(129,608)	(129,608)	-
(9) Current portion of bonds	(10,019)	(10,019)	-	(83,374)	(83,374)	-
(10) Current portion of lease obligations	(2,452)	(2,452)	-	(20,404)	(20,404)	-
(11) Bonds	-	-	-	-	-	-
(12) Long-term loans payable	(81,676)	(83,074)	(1,398)	(679,670)	(691,304)	(11,634)
(13) Lease obligations	(16,174)	(16,738)	(564)	(134,593)	(139,286)	(4,693)
(14) Derivative transactions (*3)	(281)	(281)	-	(2,338)	(2,338)	-

(For the year 2014)	Millions of yen		
	Carrying value reported in the balance sheets (*1)	Fair value (*1)	Difference
(1) Cash and deposits	¥ 21,458	¥ 21,458	¥ -
(2) Notes and accounts receivable - trade	142,417	142,417	-
(3) Short-term loans receivable	8,304	8,304	-
(4) Investment securities			
Other securities	27,406	27,406	-
(5) Long-term loans receivable (*2)	9,252	-	-
Allowance for doubtful accounts	(125)	-	-
	9,127	9,197	70
(6) Notes and accounts payable - trade	(93,913)	(93,913)	-
(7) Short-term loans payable	(30,729)	(30,729)	-
(8) Current portion of long-term loans payable	(10,791)	(10,791)	-
(9) Current portion of bonds	(38)	(38)	-
(10) Current portion of lease obligations	(2,248)	(2,248)	-
(11) Bonds	(10,019)	(10,022)	(3)
(12) Long-term loans payable	(85,777)	(85,865)	(88)
(13) Lease obligations	(15,877)	(16,023)	(146)
(14) Derivative transactions (*3)	(462)	(462)	-

Notes: *1 Figures shown in parentheses are liabilities.
 *2 Allowance for doubtful accounts separately recorded in long-term loans is excluded.
 *3 The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Note 1. Valuation approach for fair value of financial instruments, securities and derivative transactions
(1) Cash and deposits, (2) Notes and accounts receivable - trade and (3) Short-term loans receivable
 The fair value of these amounts is stated at the carrying amount, which is approximate to it.

(4) Investment securities

The fair value of equity securities equals the quoted market price, if available. The fair value of debt securities is equal to the quoted market price or the price provided by financial institutions. Marketable and investment securities classified by the purpose for which they are held are described in "Notes to securities."

(5) Long-term loans receivable

The fair value is determined by the present value of future cash flows discounted using the assumed current lending rate for similar loans receivable of a comparable maturity. Doubtful receivables are valued with consideration for any possibility of collection based on guarantees or the existence of collateral.

(6) Notes and accounts payable - trade, (7) Short-term loans payable, (8) Current portion of long-term loans payable, (9) Current portion of bonds and (10) Current portion of lease obligations

The fair value of these amounts is stated at the carrying amount which is approximate to it.

(11) Bonds

The fair value is determined by the present value of future cash flows discounted using the assumed current interest rate for similar bonds of comparable maturities and contract conditions.

(12) Long-term loans payable

The fair value is determined by the present value of future cash flows discounted using the assumed current interest rate for similar loans payable of comparable maturities. Interest rate swaps subject to special treatment are used for long-term floating-rate loans. "Derivative transactions" provides additional explanation. Principal and interest of the loans in which these interest rate swaps are embedded are discounted using a reasonable estimate of the interest rate on the loan at the time of issue.

(13) Lease obligations

The fair value is determined by the present value of future cash flows discounted using the assumed current interest rate for similar lease contracts of comparable maturities and contract conditions.

(14) Derivative transactions

Hedge accounting was applied to derivative transactions. The fair value of derivatives transactions is determined by quoted prices provided by financial institutions. The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loan. The fair value of gain or loss resulting from forward foreign exchange contracts embedded in a payable and receivable subject to hedging is included in the fair value of the corresponding payable or receivable.

Note 2. Financial instruments cannot be estimated, which makes it extremely difficult to assess the fair value.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted shares	¥ 33,126	¥ 33,969	\$275,659

Unlisted shares are not included in "(4) Investment securities - Other securities" because these securities are without market values and their future cash flows cannot be estimated, which makes it extremely difficult to assess the fair value.

Note 3. The redemption schedule for receivables and marketable securities with maturity dates after the close of the fiscal year

	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
(For the year 2015)								
Cash and deposits	¥ 24,506	¥ –	¥ –	¥ –	\$ 203,928	\$ –	\$ –	\$ –
Notes and accounts receivable - trade	141,020	–	–	–	1,173,504	–	–	–
Short-term loans receivable	3,904	–	–	–	32,487	–	–	–
Long-term loans receivable	–	9,956	630	530	–	82,849	5,243	4,410
Total	¥ 169,430	¥ 9,956	¥ 630	¥ 530	\$ 1,409,919	\$ 82,849	\$ 5,243	\$ 4,410

	Millions of yen			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
(For the year 2014)				
Cash and deposits	¥ 21,458	¥ –	¥ –	¥ –
Notes and accounts receivable - trade	142,417	–	–	–
Short-term loans receivable	8,304	–	–	–
Long-term loans receivable	–	8,930	172	150
Total	¥ 172,179	¥ 8,930	¥ 172	¥ 150

Note 4. The redemption schedule for short-term loans payable, bonds, long-term loans payable and lease obligations

	Millions of yen					
	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Over 5 years
(For the year 2015)						
Short-term loans payable	¥ 28,968	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds	10,019	–	–	–	–	–
Long-term loans payable	15,575	10,243	18,617	16,390	11,537	24,889
Lease obligations	2,452	1,877	1,565	1,439	1,279	10,014
Total	¥ 57,014	¥ 12,120	¥ 20,182	¥ 17,829	¥ 12,816	¥ 34,903

	Thousands of U.S. dollars					
	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Over 5 years
(For the year 2015)						
Short-term loans payable	\$ 241,058	\$ –	\$ –	\$ –	\$ –	\$ –
Bonds	83,374	–	–	–	–	–
Long-term loans payable	129,608	85,237	154,922	136,390	96,006	207,115
Lease obligations	20,404	15,620	13,023	11,975	10,643	83,332
Total	\$ 474,444	\$ 100,857	\$ 167,945	\$ 148,365	\$ 106,649	\$ 290,447

	Millions of yen					
	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Over 5 years
(For the year 2014)						
Short-term loans payable	¥ 30,729	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds	38	10,019	–	–	–	–
Long-term loans payable	10,791	14,004	8,608	18,111	14,083	30,971
Lease obligations	2,248	2,280	1,709	1,400	1,292	9,196
Total	¥ 43,806	¥ 26,303	¥ 10,317	¥ 19,511	¥ 15,375	¥ 40,167



Independent Auditor's Report

To the Board of Directors of AIR WATER INC.:

We have audited the accompanying consolidated financial statements of AIR WATER INC. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AIR WATER INC. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 25, 2015
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.