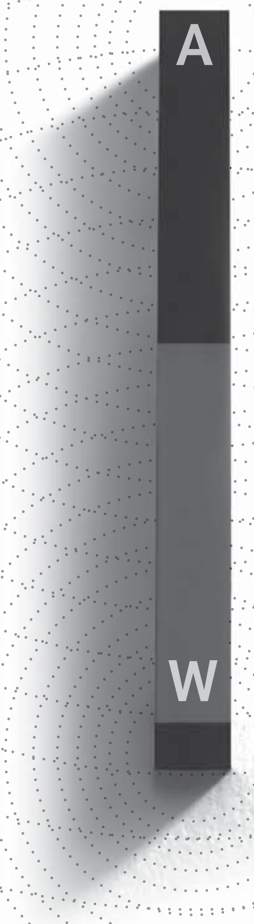
AIR WATER INC.

PLOTTING OUT FURTHER GROWTH



ANNUAL REPORT 2013
Year Ended March 31, 2013
Financial Section

CONTENTS

Business Overview and Analysis of Financial Condition and Cash Flow

(1) Business Overview

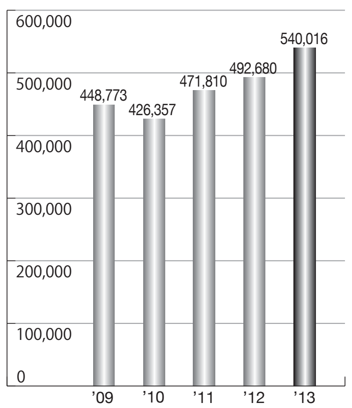
In terms of the global economy, the first half of the year saw a further slowdown due to the serious economic recession of Europe and a slowdown in the growth of China and other emerging economies. Entering the second half of the year, some positive factors appeared, such as a sustained gradual economic recovery of the U.S. and a bottoming-out of the slowdown in the Chinese economy. However, the pace of global economic recovery still remained slow due to continued pressing economic problems including credit uncertainty in Europe and financial issues in the U.S.

The Japanese economy saw steady growth in public investment due to significant demand for reconstruction from the Great East Japan Earthquake, but overall economic recovery was weak because of the continued slowdown in overseas economies, decrease in production by businesses involved in China, and low capital investment particularly in the manufacturing industry. At the beginning of the year, there were signs of economic recovery such as a correction of the yen's excessive appreciation and the rise of Japanese stocks, but these did not improve the real economy including the manufacturing industry.

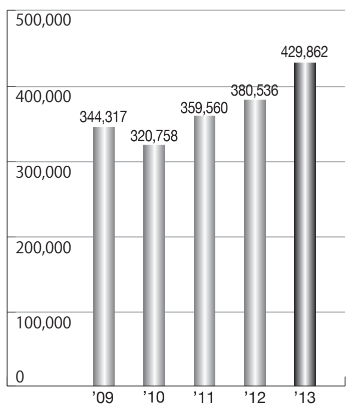
In this situation, the Air Water Group utilized our collective strengths to the full extent, through the promotion of our All-Weather Management System and execution of our Order Rodentia Style of Business by our consortium of companies that are capable of responding actively and agilely to changes in the market environment. In this way, we took measures for the structural reforms needed for the future and accomplished our initial goals for the “NEXT-2020 Ver.1” mid-term business plan that started in 2010.

Although the consolidated results of the consolidated fiscal year reflected the impact of increased manufacturing costs in our mainstay industrial gas business due to the rise in electricity rates and decreased demand in gas for exports from the third quarter, our existing businesses in the medical and energy fields attained stable growth, M&A in our agriculture and food products businesses generated profits, and the equity in earnings of non-consolidated subsidiaries and affiliates increased. As a result, our sales were at ¥540,016 million, an increase of ¥47,336 million from the previous fiscal year, operating income was ¥27,897 million, a decrease of ¥3,775 million from the previous fiscal year, ordinary income was ¥35,156 million, an increase of ¥1,554 million from the previous fiscal year, and net income for this term was ¥18,366 million, an increase of ¥1,199 million.

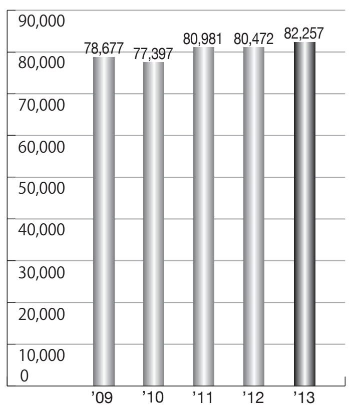
Net Sales (million JPY)



Cost of Sales (million JPY)



Selling, General and Administrative Expenses (million JPY)



(2) Financial Condition

Assets

Current assets increased by ¥27,014 million from the end of the previous fiscal year to ¥201,116 million due in part to an increase in notes and accounts receivable-trade.

Fixed assets also saw an increase of ¥26,767 million from the end of the previous fiscal year, due primarily to increases in tangible fixed assets and investment securities, reaching ¥283,213 million.

These changes produced an increase in total assets of ¥53,782 million from the end of the previous fiscal year, to ¥484,329 million.

Liabilities

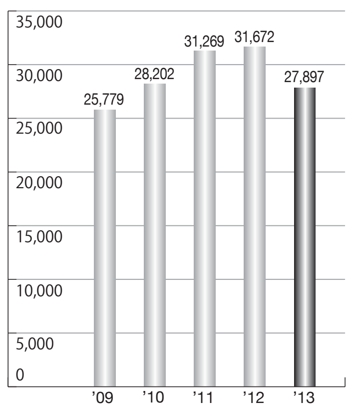
Total liabilities increased by ¥37,270 million from the end of the previous fiscal year to ¥285,117 million due in part to an increase in notes payable, accounts payable and loans payable.

Net Assets

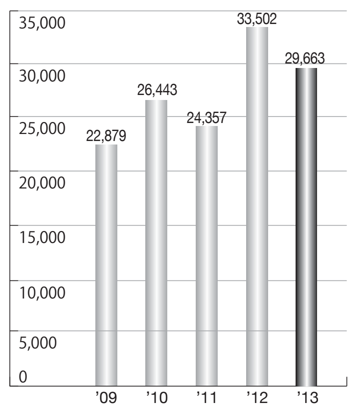
Net assets saw an increase of ¥16,512 million from the end of the previous fiscal year mainly due to increases in shareholders' equity, reaching ¥199,212 million.

Net assets per share grew to ¥949.63 from ¥873.78 at the end of the previous fiscal year, and the equity ratio changed to 38.3% from 39.6% at the end of the previous fiscal year.

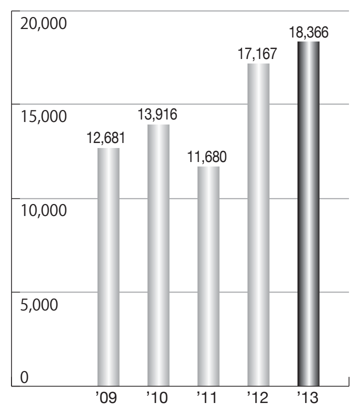
Operating Income (million JPY)



Income before Taxes and Other Adjustments (million JPY)



Net Income (million JPY)



(3) Cash Flow

Deposits of cash and cash equivalents at the end of the consolidated fiscal year stood at ¥19,470 million, a decrease of ¥2,092 million compared to the end of the previous consolidated fiscal year.

(Cash flow from operating activities)

Cash flow from operating activities was ¥9,605 million lower in this consolidated fiscal year than the previous year as a result of deduction of corporation tax, etc. arising from income before taxes and other adjustments and depreciation costs, producing a net positive cash flow of ¥30,057 million.

(Cash flow from investing activities)

Cash flow from investing activities in this consolidated fiscal year was an outflow of ¥42,501 million, an increase of ¥13,806 million in expenditures from the previous consolidated fiscal year. This was primarily due to an increase in share acquisition of subsidiaries after changes were made to the consolidation scope. Free cash flow was therefore negative, at ¥12,444 million, a decline of ¥23,410 million from the previous consolidated fiscal year.

(Cash flow from financing activities)

Cash flow from financing activities in this consolidated fiscal year was an inflow of ¥10,254 million, an increase of ¥17,866 million from the previous consolidated fiscal year, mainly attributable to increased borrowings for investment.

[Risk Factors]

The following are the primary risk factors which may influence the Air Water Group in conducting its business, bring about fluctuations in business, accounting, or other sectors, or have a material influence on judgments to be made by investors.

Forward-looking statements in the following discussion are based on judgments at the close of the fiscal year ended March 31, 2013.

(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 sectors. 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 production cost of oxygen, nitrogen and other industrial gases produced and sold by the Air Water Group will increase. In the event such increased costs cannot be passed on to the customer, profits from the sale of industrial gases may be affected.

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

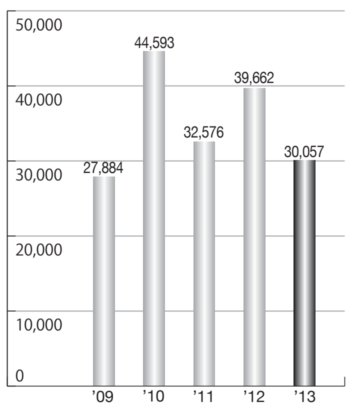
(2) Rising Fuel Costs

If the prices of light oil and other fuels increase as a result of higher crude oil prices or other factors, shipping expenses, including the costs of light oil, fuel oil, ocean freight, and air freight, will increase. If such increased costs cannot be passed on to the customer, profits may be affected.

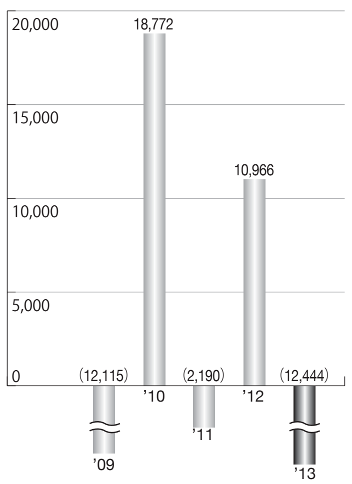
(3) Drug Reimbursement Prices

The Air Water Group supplies medical gases and provides services to medical institutions, and sales of such products and services may be affected by revision of the national insurance drug reimbursement prices.

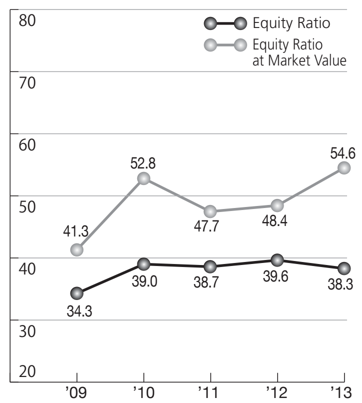
Cash Flow from Operating Activities (million JPY)



Free Cash Flow (million JPY)



Equity Ratio & Equity Ratio at Market Value (%)



Equity Ratio : Shareholders equity/total assets
Equity Ratio at Market Value : Market capitalization/total assets

(4) Safety and Quality

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

(5) Business Investment

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

(6) Competitors

Each business field in the Air Water Group competes with a variety of other companies and there is potential competition risk from new companies entering our fields of business. Consequently, the Group's business performance and financial condition 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 Air Water Group's operations are subject to environmental laws and regulations in Japan and in other countries, and while all operations are conducted in full compliance with such laws and regulations, in the event that stricter requirements are enforced as a result of revised or new environmental laws and regulations, the Group's business performance or financial conditions could be affected due to the increased cost of compliance.

(8) Natural Disasters

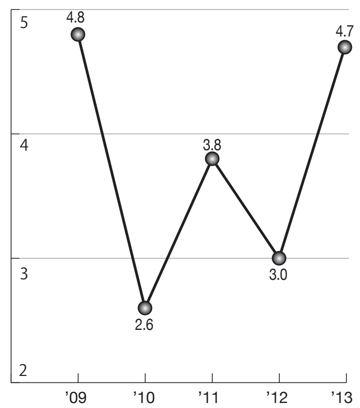
In the event that a natural disaster such as an earthquake causes significant damage to the Air Water Group's production facilities and results in a significant loss of production capacity or a delay to production, the Group's business performance or financial condition may be affected.

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

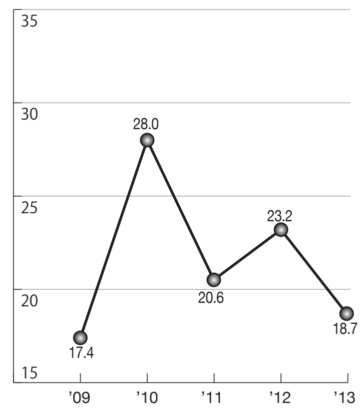
There is a risk inherent in the execution of the Air Water Group's business pertaining to litigation, measures taken by regulatory authorities, and other legal procedures. Such procedures may lead to compensation claims against the Group, monetary levies imposed on the Group by regulatory authorities, or constraints on the execution of business. Such litigation, measures taken by regulatory authorities, and other legal procedures could affect the business, performance or financial condition of the Group.

1.All indicators are calculated using financial figures.
2.Market capitalization is calculated by multiplying the stock closing price at the end of the fiscal year by the number of shares outstanding on that date.
3.The figures for cash flows from operating activities use the figures from the Consolidated Statements of Cash Flows.
The figure for interest-bearing debt represents all debt on which interest is paid from among the liabilities recorded in the Consolidated Balance Sheets.
The figure for interest paid uses the figure for interest paid from the Consolidated Statements of Cash Flows.

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



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



AIR WATER INC.
As of March 31, 2013 and 2012

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
ASSETS			
Current assets:			
Cash and deposits (Note 3 and 7)	¥19,880	¥21,997	$211,377
Notes and accounts receivable - trade	125,852	110,019	1,338,139
Inventories (Note 4)	33,097	27,202	351,909
Short-term loans receivable	12,746	6,516	135,524
Deferred tax assets (Note 9)	3,653	3,270	38,841
Other current assets (Note 3)	7,881	6,809	83,796
Allowance for doubtful accounts	(1,993)	(1,711)	(21,191)
Total current assets	201,116	174,102	2,138,395
Property, plant and equipment (Note 7):			
Land (Note 6)	53,196	48,519	565,614
Buildings and structures	109,644	96,379	1,165,805
Machinery, equipment and vehicles	218,910	189,655	2,327,592
Lease assets	25,809	22,835	274,418
Construction in progress	6,242	5,336	66,369
Other	32,324	30,982	343,690
	446,125	393,706	4,743,488
Less accumulated depreciation	248,438	213,761	2,641,553
Total property, plant and equipment	197,687	179,945	2,101,935
Investments and other assets:			
Investment securities (Note 5 and 7)	47,448	36,387	504,497
Investments in capital	4,829	2,683	51,345
Deferred tax assets (Note 9)	3,893	2,627	41,393
Goodwill	13,639	13,826	145,019
Other assets (Note 7)	16,758	22,500	178,182
Allowance for doubtful accounts	(1,041)	(1,523)	(11,069)
Total investments and other assets	85,526	76,500	909,367
Total assets	¥484,329	¥430,547	$5,149,697

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

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Trade	¥87,745	¥77,032	$932,961
Construction	9,754	3,021	103,711
Short-term borrowings, including current portion of long-term debt (Note 7)	53,701	40,214	570,983
Lease obligations (Note 7)	2,442	2,363	25,965
Accrued expenses	17,646	15,045	187,624
Income taxes payable (Note 9)	4,390	7,203	46,677
Provision for directors' bonuses	223	239	2,371
Provision for loss on disaster	-	112	-
Other current liabilities	6,207	9,604	65,997
Total current liabilities	182,108	154,833	1,936,289
Noncurrent liabilities:			
Long-term debt (Note 7)	67,353	59,499	716,140
Lease obligations (Note 7)	17,800	17,309	189,261
Deferred tax liabilities (Note 9)	4,433	3,639	47,135
Deferred tax liabilities for land revaluation (Note 6 and 9)	1,131	1,132	12,026
Provision for retirement benefits (Note 23)	7,787	7,228	82,796
Provision for directors' retirement benefits	847	739	9,006
Other noncurrent liabilities	3,658	3,468	38,894
Total noncurrent liabilities	103,009	93,014	1,095,258
Contingent liabilities (Note 13)			
Total liabilities	285,117	247,847	3,031,547
NET ASSETS (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized - 480,000,000 shares			
Issued - 195,442,888 shares in 2013 and 195,069,487 shares in 2012	32,264	32,264	343,052
Capital surplus	34,455	34,460	366,348
Retained earnings	129,974	116,207	1,381,967
Treasury stock, at cost	(3,281)	(3,653)	(34,886)
3,262,169 shares in 2013 and 3,635,570 shares in 2012			
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,166	143	12,397
Deferred gains or losses on hedges	(332)	(299)	(3,530)
Revaluation reserve for land (Note 6)	(8,792)	(8,801)	(93,482)
Foreign currency translation adjustments	145	128	1,542
Total accumulated other comprehensive income	(7,813)	(8,829)	(83,073)
Subscription rights to shares (Note 24)	290	261	3,083
Minority interests	13,323	11,990	141,659
Total net assets	199,212	182,700	2,118,150
Total liabilities and net assets	¥484,329	¥430,547	$5,149,697

Consolidated Statements of Income

AIR WATER INC.
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net sales	¥540,016	¥492,680	$5,741,797
Cost of sales	429,862	380,536	4,570,569
Selling, general and administrative expenses	82,257	80,472	874,609
Operating income	27,897	31,672	296,619
Other income (expenses):			
Interest and dividends income	911	870	9,686
Interest expenses	(1,616)	(1,489)	(17,182)
Equity in earnings of nonconsolidated subsidiaries and affiliates	7,010	1,011	74,535
Gain on sales of noncurrent assets	95	123	1,010
Gain on contribution of securities to retirement benefit trust (Note 14)	-	2,743	-
Compensation income (Note 15)	2,025	694	21,531
Insurance income (Note 16)	531	-	5,646
Loss on sales and retirement of noncurrent assets	(2,617)	(1,099)	(27,826)
Impairment loss (Note 17)	(3,430)	(260)	(36,470)
Loss on valuation of investment securities	(214)	(380)	(2,275)
Loss on disaster（Note 18）	(10)	(1,733)	(106)
Loss on compensations（Note 19）	(898)	-	(9,548)
Other - net	(21)	1,350	(224)
Income before income taxes and minority interests	29,663	33,502	315,396
Income taxes (Note 9):			
Current	11,164	13,253	118,703
Deferred	(1,705)	1,424	(18,129)
	9,459	14,677	100,574
Income before minority interests	20,204	18,825	214,822
Minority interests in income	(1,838)	(1,658)	(19,543)
Net income	¥18,366	¥17,167	$195,279

	Yen		U.S. dollars (Note 1)
Per share of common stock:			
Net income - basic	¥94.04	¥89.35	$1.00
Net income - diluted	93.87	87.21	1.00
Cash dividends applicable to the year	24.00	22.00	0.26

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Income before minority interests	¥20,204	¥18,825	$214,822
Other comprehensive income			
Valuation difference on available-for-sale securities	1,008	(2,941)	10,718
Deffered gains or losses on hedges	(55)	(40)	(585)
Revaluation reserve for land	-	156	-
Foreign currency translation adjustments	18	1	191
Share of other comprehensive income of associates accounted for using equity method	22	4	234
Other comprehensive income（Note 20）	993	(2,820)	10,558
Comprehensive income	21,197	16,005	225,380
Comprehensive income attributable to			
Owners of the parent	19,374	14,348	205,997
Minority interests	1,823	1,657	19,383

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

Consolidated Statements of Changes in Net Asset

AIR WATER INC.
Year ended March 31, 2012

Millions of yen

	Owners' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Share-holders' equity
Balance at April 1, 2011	**¥31,014**	**¥33,184**	**¥103,883**	**¥(4,469)**	**¥163,612**
Changes in items during the period					
Issuance of new shares - exercise of subscription rights to shares	1,250	1,250			2,500
Increase by share exchanges		39		527	566
Dividends from surplus			(4,220)		(4,220)
Reversal of revaluation reserve for land			35		35
Net income			17,167		17,167
Change in scope of equity method			(658)		(658)
Purchase of treasury stock				(123)	(123)
Disposal of treasury stock		(13)		412	399
Net changes in items other than shareholders' equity					
Total changes in items during the period	**1,250**	**1,276**	**12,324**	**816**	**15,666**
Balance at March 31, 2012	**¥32,264**	**¥34,460**	**¥116,207**	**¥(3,653)**	**¥179,278**

Millions of yen

	Valuation and translation adjustments							
	Valuation difference on available -for-sale securities	Deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2011	**¥3,073**	**¥(253)**	**¥(8,922)**	**¥127**	**¥(5,975)**	**¥219**	**¥11,271**	**¥169,127**
Changes in items during the period								
Issuance of new shares - exercise of subscription rights to shares								2,500
Increase by share exchanges								566
Dividends from surplus								(4,220)
Reversal of revaluation reserve for land								35
Net income								17,167
Change in scope of equity method								(658)
Purchase of treasury stock								(123)
Disposal of treasury stock								399
Net changes in items other than shareholders' equity	(2,930)	(46)	121	1	(2,854)	42	719	(2,093)
Total changes in items during the period	**(2,930)**	**(46)**	**121**	**1**	**(2,854)**	**42**	**719**	**13,573**
Balance at March 31, 2012	**¥143**	**¥(299)**	**¥(8,801)**	**¥128**	**¥(8,829)**	**¥261**	**¥11,990**	**¥182,700**

Consolidated Statements of Changes in Net Asset

AIR WATER INC.
Year ended March 31, 2013

Millions of yen

	Owners' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Share-holders' equity
Balance at April 1, 2012	**¥32,264**	**¥34,460**	**¥116,207**	**¥(3,653)**	**¥179,278**
Changes in items during the period					
Dividends from surplus			(4,294)		(4,294)
Reversal of revaluation reserve for land			(9)		(9)
Net income			18,366		18,366
Change in scope of consolidation			(314)		(314)
Increase by merger			18		18
Purchase of treasury stock				(32)	(32)
Disposal of treasury stock		(5)		404	399
Net changes in items other than shareholders' equity					
Total changes in items during the period	**-**	**(5)**	**13,767**	**372**	**14,134**
Balance at March 31, 2013	**¥32,264**	**¥34,455**	**¥129,974**	**¥(3,281)**	**¥193,412**

Millions of yen

	Valuation and translation adjustments							
	Valuation difference on available -for-sale securities	Deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2012	**¥143**	**¥(299)**	**¥(8,801)**	**¥128**	**¥(8,829)**	**¥261**	**¥11,990**	**¥182,700**
Changes in items during the period								
Dividends from surplus								(4,294)
Reversal of revaluation reserve for land								(9)
Net income								18,366
Change in scope of consolidation								(314)
Increase by merger								18
Purchase of treasury stock								(32)
Disposal of treasury stock								399
Net changes in items other than shareholders' equity	1,023	(33)	9	17	1,016	29	1,333	2,378
Total changes in items during the period	**1,023**	**(33)**	**9**	**17**	**1,016**	**29**	**1,333**	**16,512**
Balance at March 31, 2013	**¥1,166**	**¥(332)**	**¥(8,792)**	**¥145**	**¥(7,813)**	**¥290**	**¥13,323**	**¥199,212**

Consolidated Statements of Changes in Net Asset

AIR WATER INC.
Year ended March 31, 2013

Thousands of U.S. dollars (Note 1)

	Owners' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
Balance at April 1, 2012	$343,052	$366,401	$1,235,587	$(38,841)	$1,906,199
Changes in items during the period					
Dividends from surplus			(45,657)		(45,657)
Reversal of revaluation reserve for land			(95)		(95)
Net income			195,279		195,279
Change in scope of consolidation			(3,338)		(3,338)
Increase by merger			191		191
Purchase of treasury stock				(340)	(340)
Disposal of treasury stock		(53)		4,295	4,242
Net changes in items other than shareholders' equity					
Total changes in items during the period	-	**(53)**	**146,380**	**3,955**	**150,282**
Balance at March 31, 2013	$343,052	$366,348	$1,381,967	$(34,886)	$2,056,481

Thousands of U.S. dollars (Note 1)

	Valuation and translation adjustments							
	Valuation difference on available -for-sale securities	Deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2012	$1,520	$(3,179)	$(93,578)	$1,361	$(93,876)	$2,775	$127,486	$1,942,584
Changes in items during the period								
Dividends from surplus								(45,657)
Reversal of revaluation reserve for land								(95)
Net income								195,279
Change in scope of consolidation								(3,338)
Increase by merger								191
Purchase of treasury stock								(340)
Disposal of treasury stock								4,242
Net changes in items other than shareholders' equity	10,877	(351)	96	181	10,803	308	14,173	25,284
Total changes in items during the period	**10,877**	**(351)**	**96**	**181**	**10,803**	**308**	**14,173**	**175,566**
Balance at March 31, 2013	$12,397	$(3,530)	$(93,482)	$1,542	$(83,073)	$3,083	$141,659	$2,118,150

Consolidated Statements of Cash Flows

AIR WATER INC.
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥29,663**	¥33,502	**$315,396**
Depreciation and amortization	**22,059**	20,373	**234,546**
Impairment loss	**3,430**	260	**36,470**
Amortization of goodwill	**1,780**	1,560	**18,926**
Increase (decrease) in allowance for doubtful accounts	**(214)**	349	**(2,275)**
Increase (decrease) in provision for retirement benefits	**285**	(40)	**3,030**
Gain on contribution of securities to retirement benefit trust	**-**	(2,743)	**-**
Interest and dividend income	**(911)**	(870)	**(9,686)**
Interest expenses	**1,616**	1,489	**17,182**
Equity in earnings of nonconsolidated subsidiaries and affiliates	**(7,010)**	(1,011)	**(74,535)**
Gain on sales of noncurrent assets	**(95)**	(123)	**(1,010)**
Loss on sales and retirement of noncurrent assets	**2,617**	1,099	**27,826**
Loss on valuation of investment securities	**214**	380	**2,275**
Loss on disaster	**10**	1,733	**106**
Loss on compensations	**898**	-	**9,548**
Compensation income	**(2,025)**	(694)	**(21,531)**
Insurance income	**(531)**	-	**(5,646)**
Decrease (increase) in notes and accounts receivable	**(2,021)**	(9,050)	**(21,488)**
Decrease (increase) in inventories	**(2,451)**	(547)	**(26,061)**
Increase (decrease) in notes and accounts payable	**(4,364)**	11,854	**(46,401)**
Other - net	**762**	407	**8,102**
Subtotal	**43,712**	57,928	**464,774**
Interest and dividends income received	**1,707**	1,467	**18,150**
Interest expenses paid	**(1,607)**	(1,710)	**(17,087)**
Proceeds from compensation	**1,745**	168	**18,554**
Proceeds from insurance income	**531**	-	**5,646**
Payments for loss on disaster	**-**	(1,479)	**-**
Payments for loss on compensations	**(445)**	-	**(4,732)**
Payments for surcharge	**-**	(3,639)	**-**
Income taxes paid	**(15,586)**	(13,073)	**(165,720)**
Net cash provided by (used in) operating activities	**¥30,057**	¥39,662	**$319,585**
Cash flows from investing activities:			
Purchase of property, plant and equipment	**(24,727)**	(21,551)	**(262,913)**
Proceeds from sales of property, plant and equipment	**530**	811	**5,635**
Purchase of intangible assets	**(335)**	(781)	**(3,562)**
Purchase of investment securities	**(4,344)**	(7,232)	**(46,188)**
Proceeds from sales of investment securities	**309**	232	**3,285**
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 3)	**(14,775)**	(68)	**(157,097)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 3)	**2,068**	380	**21,988**
Payments for investments in capital	**(2,103)**	-	**(22,361)**
Payments of loans receivable	**(5,341)**	(11,994)	**(56,789)**
Collection of loans receivable	**6,156**	11,376	**65,455**
Other - net	**61**	132	**649**
Net cash provided by (used in) investing activities	**¥(42,501)**	¥(28,695)	**$(451,898)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**1,164**	5,264	**12,376**
Proceeds from long-term debt	**26,826**	3,500	**285,231**
Repayment of long-term debt	**(11,625)**	(11,839)	**(123,604)**
Redemption of bonds	**(38)**	(1,546)	**(404)**
Proceeds from sale-leaseback transactions	**900**	3,200	**9,569**
Repayment of lease obligations	**(2,630)**	(1,959)	**(27,964)**
Purchase of treasury stock	**(32)**	(123)	**(340)**
Proceeds from sales of treasury stock	**399**	399	**4,243**
Purchase of treasury stock of subsidiaries in consolidation	**(58)**	-	**(617)**
Cash dividends paid	**(4,294)**	(4,220)	**(45,657)**
Cash dividends paid to minority shareholders	**(358)**	(292)	**(3,806)**
Other - net	**-**	4	**-**
Net cash provided by (used in) financing activities	**¥10,254**	¥(7,612)	**$109,027**
Effect of exchange rate changes on cash and cash equivalents	**3**	3	**32**
Net increase (decrease) in cash and cash equivalents	**(2,187)**	3,358	**(23,254)**
Cash and cash equivalents at beginning of year	**21,562**	18,131	**229,261**
Increase in cash and cash equivalents resulting from merger	**13**	73	**139**
Increase in cash and cash equivalents from newly consolidated subsidiary	**82**	-	**872**
Cash and cash equivalents at end of year (Note 3)	**¥19,470**	¥21,562	**$207,018**

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.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. 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, 2013, which was ¥94.05 to U.S. $1.00. The translation should not be construed as a representation 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.

2. Summary of significant accounting policies

(1) Consolidation

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 68 consolidated subsidiaries for the year ended March 31, 2013 (65 for the year ended March 31, 2012) and 16 companies accounted for using the equity method for the year ended March 31, 2013 (15 for the year ended March 31, 2012).

Changes in the scope of consolidation during the year ended March 31, 2013 were as follows:
(a) Due to new acquisitions, four subsidiaries became consolidated subsidiaries.
(b) Due to an increase in materiality, two subsidiaries became consolidated subsidiaries.
(c) Due to dissolution and extinction because of merger, three subsidiaries were excluded from the scope of consolidation.

Changes in the scope of entities accounted for by the equity method during the year ended March 31, 2013 were as follows:
(a) Due to obtaining the ability to exercise significant influence, one affiliate became an affiliate accounted for by the equity method.

Changes in the scope of consolidation during the year ended March 31, 2012 were as follows:
(a) Due to new acquisitions, two subsidiaries became consolidated subsidiaries.
(b) Due to dissolution and extinction because of merger, two subsidiaries were excluded from the scope of consolidation.

Changes in the scope of entities accounted for by the equity method during the year ended March 31, 2012 were as follows:
(a)Due to an increase in materiality, five subsidiaries became subsidiaries accounted for by the equity method.
(b)Due to new acquisition, one affiliate became an affiliate accounted for by the equity method.

For the purposes of preparing the consolidated financial 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 change

(Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates)

From the year ending March 31, 2013, in accordance with the amendment in corporate tax law, part of our domestic subsidiaries have changed its depreciation method for property, plant and equipments. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in amended corporate tax law. This change had no material impact on the consolidated financial statements for the year ended March 31, 2013.

(3) 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 where 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 occurred 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 amortized immediately when incurred.

(9) Allowance for doubtful accounts

The 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, and for certain doubtful receivables, the uncollectible amount is individually estimated.

(10) Directors' and statutory auditors' bonuses

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

(11) Provision for loss on disaster

The provision for loss on disaster is estimated and recorded to provide for potential future costs such as restoration costs related to the Tohoku Region Pacific Coast Earthquake.

(12) Retirement benefits

(a)Employees

To supplement the governmental welfare pension plan, the Companies provide mainly two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the balance sheet date. 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.

(b)Directors and statutory auditors

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.

(13) 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.

(14) Research and development expenses

Research and development expenses, which were ¥2,968 million ($31,558 thousand) and ¥3,280 million for the years ended March 31, 2013 and 2012, respectively, are recognized when paid and are included in general and administrative expenses.

(15) 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.

(16) Income taxes

The asset and 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.

(17) 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.

(18) 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 Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(a) Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.

(b) Effective dates

Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

(c) Effect of application of the standard

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

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, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash on hand and in banks in the consolidated balance sheets	¥19,880	¥21,997	$211,377
Time deposits with maturities exceeding 3 months	(410)	(436)	(4,359)
Short-term investment securities included in other current assets	-	1	-
Cash and cash equivalents on the consolidated statements of cash flows	¥19,470	¥21,562	$207,018

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets	¥19,587	¥3,181	$208,261
Noncurrent assets	11,548	4,396	122,786
Current liabilities	(20,693)	(2,855)	(220,021)
Noncurrent liabilities	(1,121)	(2,078)	(11,919)
Goodwill	1,865	2,304	19,830
Minority interests	(60)	(272)	(638)
Acquisition cost	11,126	4,676	118,299
Accounts payable-other of acquisition cost	-	(4,500)	-
Cash and cash equivalents of acquired companies	(3,057)	(488)	(32,504)
Net expenditure (revenue)	¥8,069	¥(312)	$85,795

¥4,500 million ($47,847 thousand), which is payments for accounts payable-other of acquisition cost for the year ended March 31, 2012, was included in purchase of investments in subsidiaries resulting in change in scope of consolidation for the year ended March 31, 2013.

Significant noncash transactions for the year ended March 31, 2013 and 2012 were as follows:

(1)Issuance of new stock by execution of stock acquisition rights

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Issuance of new stock by execution of stock acquisition rights:			
Credited to common stock	¥-	¥1,250	$-
Credited to capital surplus	-	1,250	-
Decrease of zero coupon convertible bonds due 2012	¥-	¥2,500	$-

(2) Share exchanges

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Share exchanges：			
Credited to common stock	¥-	¥39	$-
Decrease by disposal of treasury stock	-	527	-
Increase of goodwill	-	349	-

4. Inventories

Inventories as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Merchandise and finished goods	¥20,280	¥16,119	$215,630
Work-in-process	5,102	3,873	54,248
Raw materials and supplies	7,715	7,210	82,031
	¥33,097	¥27,202	$351,909

Notes to Consolidated Financial Statements

5. Securities

Available-for-sale securities with available fair market values at March 31, 2013 and 2012 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference gain (loss)	Book value	Acquisition cost	Difference gain (loss)	Book value	Acquisition cost	Difference gain (loss)
			2013			2012			2013
Securities with book values exceeding acquisition costs:									
Stocks	¥8,621	¥4,709	¥3,912	¥7,022	¥4,463	¥2,559	$91,664	$50,069	$41,595
Subtotal	8,621	4,709	3,912	7,022	4,463	2,559	91,664	50,069	41,595
Securities with book values not exceeding acquisition costs:									
Stocks	6,480	7,789	(1,309)	9,747	11,328	(1,581)	68,900	82,818	(13,918)
Subtotal	6,480	7,789	(1,309)	9,747	11,328	(1,581)	68,900	82,818	(13,918)
Total	¥15,101	¥12,498	¥2,603	¥16,769	¥15,791	¥978	$160,564	$132,887	$27,677

6. Land revaluation

On March 31, 2002, in accordance with "The Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land," the Company and a subsidiary revalued land. The decrease in value, 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, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Revalued land	¥(3,256)	¥(2,716)	$(34,620)

7. Short-term borrowings and long-term debt

The weighted average interest rate of short-term borrowings as of March 31, 2013 and 2012 were 0.52% and 0.56%, respectively.

Long-term debt as of March 31, 2013 and 2012 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans from banks and insurance companies due 2030 (weighted average interest rates - 1.15%)	¥78,922	¥59,364	$839,149
0.54% unsecured bonds due 2015	10,000	10,000	106,327
0.53% unsecured bonds due 2015	95	133	1,010
Lease obligations through 2028	20,241	19,672	215,215
	109,258	89,169	1,161,701
Less amount due within one year	24,105	12,361	256,300
	¥85,153	¥76,808	$905,401

The aggregate annual maturities of short-term debt and long-term debt as of March 31, 2013 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥24,105	$256,300
2015	11,196	119,043
2016	23,745	252,472
2017	10,073	107,103
2018	17,468	185,731
2019 and thereafter	22,671	241,052

As of March 31, 2013, assets were pledged as collateral for short-term bank loans of ¥1,595 million ($16,959 thousand), long-term bank loans of ¥11,356 million ($120,744 thousand) and others of ¥1,404 million ($14,928 thousand) as follows:

	Millions of yen	Thousands of U.S. dollars
Land	**¥17,196**	**$182,839**
Buildings and structures	**7,519**	**79,947**
Machinery and equipment	**3,677**	**39,096**
Cash and deposits (time deposits)	**10**	**106**
Investment securities	**410**	**4,359**
Property, plant and equipment	**45**	**479**
Investments and other assets	**176**	**1,872**
	¥29,033	**$308,698**

As of March 31, 2012, assets were pledged as collateral for short-term bank loans of ¥3,556 million, long-term bank loans of ¥8,051 million and others of ¥1,346 million as follows:

	Millions of yen
Land	**¥11,484**
Buildings and structures	**5,317**
Machinery and equipment	**1,531**
Property, plant and equipment	**55**
Investments and other assets	**260**
	¥18,647

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 2013 and 2012
None
(2)Derivatives transactions for which hedge accounting applies For the year 2013

① Currency related

For the year 2013			Millions of yen			Thousands of U.S. dollars		
Hedge accounting method	Type of transaction	Hedged items	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	**¥816**	¥-	**¥(33)**	**$8,676**	**$-**	**$ (351)**
	Euro	Accounts receivable — trade	299	-	9	3,179	-	96
	Purchased option to buy							
	U.S. dollars	Accounts Payable — trade	2,303	19	98	24,487	202	1,042
	Euro	Accounts Payable — trade	17	-	13	181	-	138
	Chinese yuan	Accounts Payable — trade	739	-	(15)	7,857	-	(159)
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	93	-	(Note 2)	989	-	(Note 2)
	Euro	Accounts receivable — trade	115	-	(Note 2)	1,223	-	(Note 2)
	Purchased option to buy							
	U.S. dollars	Accounts Payable — trade	393	-	(Note 2)	4,179	-	(Note 2)
	Chinese yuan	Accounts Payable — trade	72	-	(Note 2)	765	-	(Note 2)
Total			**¥4,847**	**¥19**	**¥72**	**$51,536**	**$202**	**$766**

For the year 2012			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	**¥426**	**¥-**	**¥(24)**
	Euro	Accounts receivable — trade	252	-	(18)
	Purchased option to buy				
	U.S. dollars	Accounts Payable — trade	2,708	-	151
	Euro	Accounts Payable — trade	40	-	0
	Chinese yuan	Accounts Payable — trade	622	-	19
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	84	-	(Note 2)
	Euro	Accounts receivable — trade	88	-	(Note 2)
	Purchased option to buy				
	U.S. dollars	Accounts Payable — trade	306	-	(Note 2)
	Chinese yuan	Accounts Payable — trade	26	-	(Note 2)
Total			**¥4,552**	**¥-**	**¥128**

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 2013			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:							
	Receiving floating rate and paying fixed rate	Long-term loans payable	**¥13,905**	**¥12,392**	**¥ (600)**	**$147,847**	**$131,760**	**$ (6,380)**
	Interest rate option:	Long-term loans payable	800	-	1	8,506	-	11
Special treatment of interest rate swaps	Interest rate swap:							
	Receiving floating rate and paying fixed rate	Long-term loans payable	16,896	16,211	(Note 2)	179,649	172,365	(Note 2)
Total			**¥31,601**	**¥28,603**	**¥ (599)**	**$336,002**	**$304,125**	**$ (6,369)**

For the year 2012			Millions of yen		
Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Deferral hedge accountings	Interest rate swap:				
	Receiving floating rate and paying fixed rate	Long-term loans payable	**¥13,752**	**¥13,171**	**¥ (573)**
	Interest rate option:	Long-term loans payable	800	800	5
Special treatment of interest rate swaps	Interest rate swap:				
	Receiving floating rate and paying fixed rate	Long-term loans payable	2,074	1,496	(Note 2)
Total			**¥16,626**	**¥15,467**	**¥ (568)**

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 38.0% for the year ended March 31, 2013 and 40.6% for the year ended March 31, 2012.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2013 and 2012.

	2013	2012
Statutory tax rate	**38.0%**	40.6%
Nondeductible expenses	**1.5**	1.2
Amortization of goodwill	**1.4**	0.8
Equity in earnings of nonconsolidated subsidiaries and affiliates	**(9.0)**	(1.2)
Per capita inhabitants taxes	**0.7**	0.7
Effect of changes in tax rate	-	(0.4)
Increase (decrease) in valuation allowance	**(0.7)**	2.0
Other	**0.0**	0.1
Effective tax rate	**31.9%**	43.8%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Retirement benefits	**¥3,071**	¥2,835	**$32,653**
Net operating losses carried forward for tax purposes	**2,163**	2,101	**22,998**
Excess bonuses accrued	**1,820**	1,749	**19,351**
Impairment loss	**2,188**	1,410	**23,264**
Loss on valuation of investment securities	**785**	802	**8,347**
Loss on business of subsidiaries and affiliates	**1,876**	630	**19,947**
Accrued enterprise taxes	**510**	623	**5,423**
Other	**2,998**	4,627	**31,877**
Total deferred tax assets	**15,411**	14,777	**163,860**
Valuation allowance	**(5,719)**	(5,524)	**(60,808)**
Net deferred tax assets	**9,692**	9,253	**103,052**
Deferred tax liabilities:			
Retained earnings appropriated for allowable tax reserves	**(3,716)**	(3,736)	**(39,511)**
Gain on contribution of securities to retirement benefit trust	**(1,048)**	(1,048)	**(11,143)**
Variance of estimate of capital consolidation	**(1,245)**	(1,261)	**(13,238)**
Net unrealized holding gains on securities	**(404)**	(244)	**(4,296)**
Other	**(166)**	(706)	**(1,765)**
Total deferred tax liabilities	**(6,579)**	(6,995)	**(69,953)**
Net deferred tax assets (net deferred tax liabilities)	**¥3,113**	¥2,258	**$33,099**

Deferred tax assets and liabilities for land revaluation difference as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets	**¥3,785**	¥3,789	**$40,244**
Valuation allowance	**(3,776)**	(3,779)	**(40,149)**
Net deferred tax assets	**¥9**	¥10	**$95**
Deferred tax liabilities	**¥(1,140)**	¥(1,142)	**$ (12,121)**

For the year 2012

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.0% for years beginning on or after April 1, 2012 and 35.6% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6%, respectively, as of March 31, 2012.

Due to these changes in statutory income tax rates, net deferred tax assets increased by ¥153 million, valuation difference on available-for-sale securities increased by ¥51 million, and deferred gains or losses on hedges decreased by ¥25 million as of March 31, 2012 and deferred income tax expense recognized for the year ended March 31, 2012 decreased by ¥127 million. Also, deferred tax liabilities for land revaluation decreased by ¥156 million and revaluation reserve for land increased by the same amount as of March 31, 2012.

10. Net assets

Under the Japanese Corporate Law ("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 where 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 in the accompanying consolidated balance sheets.

In addition, legal earnings reserve and additional paid-in capital could 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 Japanese laws and regulations.

At the Board of Directors meeting held on May 14, 2013, the Company resolved the following year-end appropriation of non-consolidated retained earnings:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥13.00 = U.S. $0.14 per share)	**¥ 2,540**	**$27,007**

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2013. Such appropriations are recognized in the period in which they are approved.

11. Information regarding business combinations

For the year ended March 31, 2013
Business combination through acquisition

1. Overview of business combination

a. Name and business description of acquired company
Name of acquired company: Gold-Pak Co., Ltd.
Business description: Manufacturing and sales of beverages and concentrated juice made from fruits, vegetables or tea

b. Main reason for business combination
To expand The Company's business and increase earning capacity by a greater synergetic effect between the agriculture business, which is identified as The Company's strategic growth area, and the home-delivered drinking water business, and also by enhancement of business combines in the Matsumoto district.

c. Date of business combination: September 28, 2012

d. Legal form of business combination:
Acquisition of shares for cash

e. Name of company after business combination: Unchanged

f. Percentage of voting rights acquired 100%

g. Basis of determination of acquiring company
Acquisition of shares for cash by the Company

2. Business term of the acquired company included in the consolidated statement of income for the year ended March 31, 2013
From August 1, 2012 through March 31, 2013

3. Acquisition cost: ¥9,607 million ($102,148 thousand)

(This acquisition cost includes the costs directly incurred in the acquisition.)

4. Amount of goodwill incurred, reasons and amortization method
a. Amount of goodwill: ¥898 million ($9,548 thousand)

b. Reason for goodwill:
Reasonable estimate of extra earning capacity expected to be delivered through the future development of the business.

c. Amortization method: Straight-line method over 5 years

5. Assets and liabilities assumed on the date of business combination were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥10,021**	**$106,550**
Fixed assets	**12,450**	**132,376**
Total assets	**¥22,471**	**$238,926**
Current liabilities	**¥11,572**	**$123,041**
Long-term liabilities	**372**	**3,955**
Total liabilities	**¥11,944**	**$126,996**

For the year ended March 31, 2012
Transactions under common control
(Conversion of Sagami Ham Co., Ltd. into wholly owned subsidiary of the Company through a share exchange)

The Company concluded the "Share Exchange Agreement" with Sagami Ham Co., Ltd. (Sagami Ham) to make it a wholly owned subsidiary on December 22, 2011. The share exchange took effect on March 21, 2012. The stocks of Sagami Ham were delisted from JASDAQ on March 15, 2012. (The last day of its stock transaction was March 14, 2012.)

Based on the board resolution on March 14, 2012, Sagami Ham had also retired all its own shares immediately before the date when the Company acquired all of the outstanding shares of Sagami Ham.

1. Overview of the business combination

(1) Name of company and business description of the parties
(a) The wholly owning parent company in share exchange
Name: AIR WATER INC.
Business description: Manufacturing and supplying products for Industrial Gas Business, Electronics Business, Chemical Business, Medical Business, Energy Business and other businesses

(b) The wholly owned subsidiary company in share exchange
Name: Sagami Ham Co., Ltd.
Business description: Manufacturing and selling meat and processed foods

(2) The date of the business combination
March 21, 2012

(3) Legal form of the business combination
Share exchange

(4) Name of company after the business combination
No change

(5) Other details of the transaction
The processed food business faces growing competition from the low-end consumer needs and others. In order to accommodate changes in the business environment and expand business fields, Air Water Group was required to integrate corporate resources and achieve further growth. The Company effected share exchange with Sagami Ham, that will allow efficient utilization of the resources such as manpower, production technologies, research development and sales channels, smooth implementation of business strategies and heightening of corporate value.

2. Summary of accounting treatments applied
The share exchange was accounted for as transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

3. Information regarding additional acquisition of the subsidiary's shares
(1) Acquisition cost ¥597 million

(2) Share exchange ratio and Number of shares delivered

Company name	The Company (The Wholly Owning Parent Company)	Sagami Ham (The Wholly Owned Subsidiary Company)
Share exchange ratio	1	0.055
Number of shares delivered	524,189 shares (distributed treasury stock)	

(3) Calculation of share exchange ratio
In order to ensure fairness and reasonableness of the share exchange ratio, each of the Company and Sagami Ham requested a separate independent third-party valuation institution to calculate the ratio. The Company selected SMBC Nikko Securities Inc. and Sagami Ham appointed PricewaterhouseCoopers Co., Ltd. as the institution.
Based on the analysis provided by the above institutions, the Company and Sagami Ham negotiated and discussed the ratio. The companies finally closed the Share Exchange Agreement with the ratio of 3 (2) above that will not be assumed to bring shareholders to lose their benefit.

(4) Amount, reason for recognition, amortization method and period of goodwill
(a) Amount of goodwill ¥349 million

(b) Reason for recognition of goodwill
The additional acquisition cost of the shares of subsidiary has not balanced with the decrease in minority interest.

(c) Amortization method and period of goodwill
Straight-line method over 15 years

12. 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 such information 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 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 provides various medical equipments and the hospital facility construction business. The Energy Business segment provides sales of petrochemical product 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.

Our segment classification was changed during the fiscal year ended March 31, 2013. The previous Industrial Gas Business segment was integrated with the Electronics Business segment, forming the Industrial Gas Business segment. Moreover, the agriculture and food products business, which were previously included in the Other Businesses segment, were reclassified into the Agriculture and Food Products Business segment in this fiscal year due to business expansion.
The segment information of the year ended March 31, 2012 has been restated to conform to the new classification.

2. Basis of measurement about reported segment sales, segment profit or loss, segment assets and other material items
The accounting method for reportable segments is the same as that used for the preparation for the consolidated financial statements. Profits for reportable segments are ordinary income. Ordinary income is income derived from regular business activities, including wages, dividends, and interest. Profits and transfer sums for intersegment sales and transactions within the Group are based on market prices.

(Changes in calculation methods for reportable segment profit and loss)
The Company allocates R&D cost to each segment for business performance management. In the year ended March 31, 2013 the method of R&D cost allocation was changed with the conversion of the R&D section.

For this change, reportable segment profit and loss of the year ended March 31, 2012 has been restated to conform to the new classification

3. Information about reported segment profit or loss, segment assets and other material items
Segment information as of and for the fiscal year ended March 31, 2013 is as follows:

Millions of yen

For 2013	Reportable Segment							Adjustment (Note 2)	Amounts reported on consolidated financial statements (Note 1)
	Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Net sales:									
Customers	¥173,356	¥93,353	¥78,904	¥54,090	¥45,712	¥94,601	¥540,016	¥-	¥540,016
Intersegment	2,814	31	454	1,685	51	16,832	21,867	(21,867)	-
Total	176,170	93,384	79,358	55,775	45,763	111,433	561,883	(21,867)	540,016
Segment profit	13,632	3,143	6,480	3,116	1,355	5,588	33,314	1,842	35,156
Segment assets	176,512	46,887	62,005	30,169	40,203	93,916	449,692	34,637	484,329
Other items:									
Depreciation and amortization	11,203	2,053	1,201	2,082	1,351	4,169	22,059	-	22,059
Amortization of goodwill	650	25	132	513	318	142	1,780	-	1,780
Interest income	3	0	6	2	1	6	18	226	244
Interest expenses	507	3	65	32	65	196	868	748	1,616
Equity in earnings of nonconsolidated subsidiaries and affiliates	241	1,620	-	42	-	47	1,950	5,060	7,010
Investment amounts to equity method companies	904	758	-	547	-	4,968	7,177	-	7,177
Increase in amounts of fixed assets and intangible fixed assets	14,113	1,560	1,302	3,233	1,931	10,248	32,387	1,724	34,111

Thousands of U.S. dollars

For 2013	Reportable Segment							Adjustment (Note 2)	Amounts reported on consolidated financial statements (Note 1)
	Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total		
Net sales:									
Customers	$1,843,232	$992,589	$838,958	$575,120	$486,039	$1,005,859	$5,741,797	$-	$5,741,797
Intersegment	29,920	330	4,827	17,916	542	178,969	232,504	(232,504)	-
Total	1,873,152	992,919	843,785	593,036	486,581	1,184,828	5,974,301	(232,504)	5,741,797
Segment profit	144,944	33,418	68,900	33,131	14,407	59,416	354,216	19,585	373,801
Segment assets	1,876,789	498,533	659,277	320,776	427,464	998,575	4,781,414	368,283	5,149,697
Other items:									
Depreciation and amortization	119,117	21,829	12,770	22,137	14,365	44,327	234,545	-	234,545
Amortization of goodwill	6,911	266	1,404	5,455	3,381	1,509	18,926	-	18,926
Interest income	32	0	64	21	11	63	191	2,403	2,594
Interest expenses	5,391	32	691	340	691	2,084	9,229	7,953	17,182
Equity in earnings of nonconsolidated subsidiaries and affiliates	2,562	17,225	-	447	-	500	20,734	53,801	74,535
Investment amounts to equity method companies	9,612	8,060	-	5,816	-	52,822	76,310	-	76,310
Increase in amounts of fixed assets and intangible fixed assets	150,058	16,587	13,844	34,375	20,532	108,963	344,359	18,331	362,690

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 -¥21,867 million (-$232,504 thousand) is the elimination of intersegment transactions.
(2) The adjustment to segment profit of ¥1,842 million ($19,585 thousand) is the sum of corporate expenses, research and development department expenses, profit and 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 ¥34,637 million ($368,283 thousand) is the sum of eliminated intersegment assets of -¥10,284 million (-$109,346 thousand) and corporate assets of ¥44,921 million ($477,629 thousand) that cannot be assigned to any particular segment.
(4) The adjustment to interest income of ¥226 million ($2,403 thousand) is interest income that cannot be assigned to any particular segment.
(5) The adjustment to interest expenses of ¥748 million ($7,953 thousand) is interest expenses that cannot be assigned to any particular segment.
(6) The adjustment to equity in earnings of nonconsolidated subsidiaries and affiliates of ¥5,060 million ($53,801 thousand) is invested 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 ¥1,724 million ($18,331 thousand) is mostly corporate assets that cannot be assigned to any particular segment.

Notes to Consolidated Financial Statements

Segment information as of and for the fiscal year ended March 31, 2012 is as follows:

Millions of yen

For 2012	Reportable Segment: Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total	Adjustment (Note 2)	Amounts reported on consolidated financial statements (Note 1)
Net sales:									
Customers	¥180,175	¥77,765	¥74,478	¥51,284	¥15,175	¥93,803	¥492,680	¥-	¥492,680
Intersegment	2,618	45	261	777	59	16,964	20,724	(20,724)	-
Total	182,793	77,810	74,739	52,061	15,234	110,767	513,404	(20,724)	492,680
Segment profit	16,450	2,989	5,330	2,545	560	5,703	33,577	25	33,602
Segment assets	178,582	44,295	49,546	29,470	16,824	76,027	394,744	35,803	430,547
Other items：									
Depreciation and amortization	10,906	1,939	1,027	2,022	395	4,084	20,373	-	20,373
Amortization of goodwill	739	50	147	493	32	99	1,560	-	1,560
Interest income	10	0	8	2	0	9	29	233	262
Interest expenses	445	4	47	78	27	186	787	702	1,489
Equity in earnings of nonconsolidated subsidiaries and affiliates	211	1,487	-	(147)	-	92	1,643	(632)	1,011
Investment amounts to equity method companies	904	758	-	547	-	451	2,660	-	2,660
Increase in amounts of fixed assets and intangible fixed assets	12,648	1,164	960	2,219	705	4,403	22,099	744	22,843

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 -¥20,724 million is the elimination of intersegment transactions.
(2) The adjustment to segment profit of ¥25 million is the sum of corporate expenses, research and development department expenses and profit and loss related to financing.
(3) The adjustment to segment assets of ¥35,803 million is the sum of eliminated intersegment assets of -¥10,763 million and corporate assets of ¥46,566 million that cannot be assigned to any particular segment.
(4) The adjustment to interest income of ¥233 million is interest income that cannot be assigned to any particular segment.
(5) The adjustment to interest expenses of ¥702 million is interest expenses that cannot be assigned to any particular segment.
(6) The adjustment to equity in earnings of nonconsolidated subsidiaries and affiliates of -¥632 million is invested 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 ¥744 million is mostly corporate assets that cannot be assigned to any particular segment.

(Related information)

1. Information by Area

For the year 2013 and 2012

(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 2013

Customer	Sales (Millions of yen)	Sales (Thousands of U.S. dollars)	Related segments
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥97,729	$1,039,117	Industrial Gas, Chemical, Other

NIPPON STEEL & SUMITOMO METAL CORPORATION was founded by a merger between NIPPON STEEL CORPORATION and Sumitomo Metal Industries, Ltd. on October 1, 2012.
The sales amount to NIPPON STEEL & SUMITOMO METAL CORPORATION includes the amount to NIPPON STEEL CORPORATION and Sumitomo Metal Industries, Ltd. during April 1, 2012 through September 30, 2012.

For the year 2012

Customer	Sales (Millions of yen)	Related segments
Sumitomo Metal Industries, Ltd.	¥74,630	Industrial Gas, Chemical, Other

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

For the year 2013

Millions of yen

	Reportable Segment: Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total	Eliminations and Corporate	Total
Impairment loss	¥348	-	¥568	-	¥99	¥688	¥1,703	¥1,727	¥3,430

Thousands of U.S.dollars

	Reportable Segment: Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total	Eliminations and Corporate	Total
Impairment loss	$3,700	-	$6,039	-	$1,053	$7,315	$18,107	$18,363	$36,470

For the year 2012

Millions of yen

	Reportable Segment: Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total	Eliminations and Corporate	Total
Impairment loss	¥198	-	-	-	-	-	¥198	¥62	¥260

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

For the year 2013

Millions of yen

	Reportable Segment: Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total	Eliminations and Corporate	Total
Amortization of goodwill	¥650	¥25	¥132	¥513	¥318	¥142	¥1,780	¥-	¥1,780
Balance at end of period	¥6,023	-	¥1,879	¥1,614	¥3,454	¥669	¥13,639	¥-	¥13,639

Thousands of U.S.dollars

	Reportable Segment: Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total	Eliminations and Corporate	Total
Amortization of goodwill	$6,911	$266	$1,404	$5,455	$3,381	$1,509	$18,926	$-	$18,926
Balance at end of period	$64,040	-	$19,979	$17,161	$36,725	$7,114	$145,019	$-	$145,019

For the year 2012

Millions of yen

	Reportable Segment: Industrial gas	Chemical	Medical	Energy	Agriculture and Food Products	Other	Total	Eliminations and Corporate	Total
Amortization of goodwill	¥739	¥50	¥147	¥493	¥32	¥99	¥1,560	¥-	¥1,560
Balance at end of period	¥6,678	¥25	¥847	¥2,091	¥2,920	¥1,265	¥13,826	¥-	¥13,826

5. Information on gain on negative goodwill for reportable segment

For the year 2013

The Companies acquired additional shares of a consolidated subsidiary in the Other Business segment. Therefore, gain on negative goodwill of ¥84 million ($893 thousand) was recorded.

For the year 2012

The Companies acquired additional shares of a consolidated subsidiary in the Industrial Gas Business segment. Therefore, gain on negative goodwill of ¥43 million was recorded.

The Companies acquired additional shares of a consolidated subsidiary in the Other Business segment. Therefore, gain on negative goodwill of ¥279 million was recorded.

13. Contingent liabilities

As of March 31, 2013, the Companies were contingently liable with respect to notes receivable discounted in the amount of ¥271 million ($2,881 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 ¥680 million ($7,230 thousand).

As of March 31, 2012, the Companies were contingently liable with respect to notes receivable discounted in the amount of ¥982 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 ¥727 million.

14. Gain on contribution of securities to the pension trust

Gain on contribution of securities to the pension trust resulted from contributions of investment securities to the pension trust.

15. Compensation income

Compensation income is the income arose from the Tohoku Region Pacific Coast Earthquake on March 11, 2011.

16. Insurance income

Insurance income is the income arose from the fire accidents in Hyogo factory of Air Water Sol Co., Ltd. on June, 2011 and in the Kashima Chemical factory of the Company on March, 2012.

17. Impairment loss

Impairment loss on noncurrent assets for the year ended March 31, 2013 and 2012 was as follows:

For the year 2013

Use	Type of assets	Place	Millions of yen	Thousands of U.S. dollars
Industrial Gas assets	Machinery, others	Nishi-ward, Sakai-city	¥348	$3,700
Agriculture and Food Products assets	Land	Otaru-city, Hokkaido Prefecture, others	¥99	$1,053
Others assets	Machinery, others	Kikukawa-city, Shizuoka Prefecture	¥126	$1,340
Idle assets, Others	Land, others	Ono-city, Hyogo Prefecture, others	¥1,727	$18,362
-	Goodwill	-	¥1,130	$12,015

For the year 2012

Use	Type of assets	Place	Millions of yen
Industrial Gas assets	Machinery, others	Higashihiroshima-city, Hiroshima Prefecture, others	¥198
Idle assets, Others	Land, others	Kitami-city, Hokkaido Prefecture, others	¥62

The Companies grouped their fixed assets based on operating activities, and idle assets and goodwill were considered individually.

Industrial Gas, Agriculture and Food Products and Others assets and other assets have continuously experienced a decrease in profit from operating activities, and it is predicted that future cash flow will fall below the book value of the related facilities. The book value of those assets were written down to the recoverable amounts.

As for idle assets, impairment loss was recognized because the recoverable amount was below the book value and there were no prospects for future use.

The recoverable amounts of the assets are the greater of the net selling price or the present value of the expected cash flows from on-going utilization and the subsequent disposal of the assets based on a discount rate of 7%.

When goodwill was not able to earn the profit that the Companies estimated at first, the Companies reduced the book value of the goodwill to the Companies recoverable amounts.

Notes to Consolidated Financial Statements

18. Loss on disaster

Loss on disaster for the year ended March 31, 2013 and 2012 was as follows:

For the year 2013
Loss on disaster was recorded due to the constant cost of the Kashima Chemical factory during the close down after the fire accident on March 2012.

For the year 2012
(1)Loss on disaster of ¥1,001 million was recorded due to the Tohoku Region Pacific Coast Earthquake in March 2011.
The details were as follows:

	Millions of yen
Restoration expenses for the damaged assets	¥680
Other	321

(2) Loss on disaster of ¥732 million was recorded due to loss on fire accident in June 2011 and March 2012.

19. Loss on compensations

Loss on compensations was recorded due to the loss related to the operation trouble of the Utsunomiya Industrial Gas factory in August 2012.

20. 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 tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Valuation difference on available-for-sale securities			
Increase(decrease) during the year	**¥1,385**	¥(2,237)	**$14,726**
Reclassification adjustments	**153**	(2,818)	**1,627**
Sub-total, before tax	**1,538**	(5,055)	**16,353**
Tax (expense) or benefit	**(530)**	2,114	**(5,635)**
Sub-total, net of tax	**¥1,008**	¥(2,941)	**$10,718**
Deferred gains or losses on hedges			
Increase(decrease) during the year	**¥(241)**	¥(180)	**$(2,562)**
Reclassification adjustments	**153**	154	**1,626**
Sub-total, before tax	**(88)**	(26)	**(936)**
Tax (expense) or benefit	**33**	(14)	**351**
Sub-total, net of tax	**¥(55)**	¥(40)	**$(585)**
Revaluation reserve for land			
Increase(decrease) during the year	**¥-**	¥-	**$-**
Reclassification adjustments	**-**	-	**-**
Sub-total, before tax	**-**	-	**-**
Tax (expense) or benefit	**-**	156	**-**
Sub-total, net of tax	**¥-**	¥156	**$-**
Foreign currency translation adjustment			
Increase(decrease) during the year	**¥18**	¥1	**$191**
Reclassification adjustments	**-**	-	**-**
Sub-total, before tax	**18**	1	**191**
Tax (expense) or benefit	**-**	-	**-**
Sub-total, net of tax	**¥18**	¥1	**$191**
Share of other comprehensive income of associates accounted for using equity method			
Increase(decrease) during the year	**¥22**	¥3	**$234**
Reclassification adjustments	**-**	1	**-**
Sub-total, net of tax	**¥22**	¥4	**$234**
Total other comprehensive income	**¥993**	¥(2,820)	**$10,558**

Notes to Consolidated Financial Statements

21. 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, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
(1) Future minimum lease payments, including financing charges:			
Due within one year	¥2,052	¥5,377	$21,818
Due after one year	6,207	11,646	65,997
	¥8,259	¥17,023	$87,815

Allowance for impairment loss on leased property of ¥64 million ($680 thousand) as of March 31, 2013 was not included in obligations under finance leases.

Allowance for impairment loss on leased property of ¥223 million as of March 31, 2012 was not included in obligations under finance leases.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
(2) Original lease obligation, payments made, accumulated impairment loss and remaining balance:			
Original lease obligation	¥13,446	¥37,646	$142,967
Payments made	8,590	24,938	91,335
Accumulated impairment loss	73	253	776
Remaining balance	¥4,783	¥12,455	$50,856
(3) Lease payments for the period	¥4,145	¥4,788	$44,072

If the above finance leases had been capitalized, depreciation of ¥3,299 million ($35,077 thousand), reversal of allowance for impairment loss on leased property of ¥13 million ($138 thousand), interest of ¥372 million ($3,955 thousand), and impairment loss of ¥43 million ($457 thousand) would have been recorded for the year ended March 31, 2013.

If the above finance leases had been capitalized, depreciation of ¥4,048 million, reversal of allowance for impairment loss on leased property of ¥30 million, interest of ¥579 million would have been recorded for the year ended March 31, 2012.

22. Operating leases

Obligations under non-cancelable operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥127	¥124	$1,350
Due after one year	706	656	7,507
	¥833	¥780	$8,857

23. Employees' severance and pension benefits

The liability for employees' severance and pension benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥33,951	¥30,546	$360,989
Prepaid pension costs	4,210	4,426	44,763
Unrecognized prior service costs	1,473	1,856	15,662
Unrecognized actuarial differences	(5,981)	(5,601)	(63,594)
Less fair value of pension assets	(25,866)	(23,999)	(275,024)
Liability for severance and pension benefits	¥7,787	¥7,228	$82,796

Included in the consolidated statements of income for the years ended March 31, 2013 and 2012 were severance and retirement benefit expenses that comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service costs - benefits earned during the year	¥1,898	¥1,560	$20,181
Interest costs on projected benefit obligation	501	506	5,327
Expected return on plan assets	(246)	(198)	(2,616)
Amortization of actuarial differences	1,381	1,448	14,684
Amortization of prior service costs	(380)	(392)	(4,041)
Severance and retirement benefit expenses	¥3,154	¥2,924	$33,535

The discount rate and the rate of expected return on plan assets used by the Companies were approximately 1.0% (2.0% in 2012) and mainly 1.5% (1.5% in 2012), respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses were principally recognized in the income statement using the straight-line method over 12 years (12 years in 2012). Prior service cost was recognized in the income statement using the straight-line method over 12 years (12 years in 2012).

Notes to Consolidated Financial Statements

24. Stock options

(1) Expenses recorded in the year ended March 31, 2013 were ¥65 million ($691 thousand) and were included in selling, general and administrative expenses. (The year ended March 31, 2012 were ¥69 million.)

(2) Details, number, movement and price of stock options

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 the position as a Director of the Company	Holder relinquishes the 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 the position as a Director of the Company	Holder relinquishes the 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 the position as a Director of the Company	Holder relinquishes the 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	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

The following table summarizes number of stock options

Company name	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
Before vesting options (number of shares)				
April 1,2012	40,000	47,200	69,600	79,700
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	9,300	6,600	7,500	8,600
March 31, 2013	30,700	40,600	62,100	71,100
After vesting options (number of shares)				
April 1,2012	-	-	-	-
Vested	9,300	6,600	7,500	8,600
Exercised	9,300	6,600	7,500	8,600
Forfeited	-	-	-	-
March 31, 2013	-	-	-	-

Company name	AIR WATER Inc.	AIR WATER Inc.	Nihonkaisui Co., Ltd.
Date of resolution	August 12, 2011	August 14, 2012	September 28, 2007
Before vesting options (number of shares)			
April 1,2012	94,700	-	-
Granted	-	85,400	-
Forfeited	-	-	-
Vested	9,000	-	-
March 31, 2013	85,700	85,400	-
After vesting options (number of shares)			
April 1,2012	-	-	245,391
Vested	9,000	-	-
Exercised	9,000	-	-
Forfeited	-	-	-
March 31, 2013	-	-	245,391

The following table summarize price per shares

Company name	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
Exercise price (yen)	1	1	1	1
Average stock price at exercise(yen)	990	911	921	921
Fair value price at grant date (yen)	1,001	1,104	868	746

Company name	AIR WATER INC.	AIR WATER INC.	Nihonkaisui Co., Ltd.
Date of resolution	August 12, 2011	August 14, 2012	September 28, 2007
Exercise price (yen)	1	1	540
Average stock price at exercise(yen)	997	-	-
Fair value price at grant date (yen)	741	715	-

25. Related party transactions

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

Significant transactions between the company and related parties for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Payments of short-term loans receivable	**¥1,400**	¥8,100	**$14,886**
Payments of long-term loans receivable	**1,250**	445	**13,291**
Interest income	**190**	197	**2,020**

The balance of the Company due to related parties for the year ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Short-term loans receivable	**¥8,158**	¥2,303	**$86,741**
Long-term loans receivable	**2,509**	9,520	**26,677**

26. Financial instruments

Financial instruments were as follows:

(1) Qualitative information on financial instruments

①Policies 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.

②Financial 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 mainly used for capital investment and are exposed to the risk of interest rate fluctuations.

③Supplemental 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

For the year 2013

Fair value, the carrying value reported in the balance sheets and any difference as of March 31, 2013 are set forth in the table below. Financial instruments for which it is extremely difficult to measure the fair value are not included.

	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	¥19,880	¥19,880	¥-	$211,377	$211,377	$-
(2) Notes and accounts receivable — trade	125,852	125,852	-	1,338,139	1,338,139	-
(3) Short-term loans receivable	12,746	12,746	-	135,524	135,524	-
(4) Investment securities						
Other securities	15,102	15,102	-	160,574	160,574	-
(5) Long-term loans receivable (※2)	3,934	-	-	41,829	-	-
Allowance for doubtful accounts	(266)	-	-	(2,828)	-	-
	3,668	3,726	58	39,001	39,617	616
(6) Notes and accounts payable — trade	(87,745)	(87,745)	-	(932,961)	(932,961)	-
(7) Short-term loans payable	(32,038)	(32,038)	-	(340,649)	(340,649)	-
(8) Current portion of long-term loans payable	(21,625)	(21,625)	-	(229,930)	(229,930)	-
(9) Current portion of bonds	(38)	(38)	-	(404)	(404)	-
(10) Current portion of lease obligations	(2,442)	(2,442)	-	(25,965)	(25,965)	-
(11) Bonds	(10,057)	(10,059)	(2)	(106,932)	(106,954)	(22)
(12) Long-term loans payable	(57,296)	(57,387)	(91)	(609,208)	(610,175)	(967)
(13) Lease obligations	(17,800)	(17,860)	(60)	(189,261)	(189,899)	(638)
(14) Derivative transactions (※3)	(527)	(527)	-	(5,603)	(5,603)	-

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.

(For the year 2012)

Fair value and the carrying value reported in the balance sheets and any difference as of March 31, 2012 are set forth in the table below. Financial instruments for which it is extremely difficult to measure the fair value are not included.

	Millions of yen		
	Carrying value reported in the balance sheets (※1)	Fair value (※1)	Difference
(1) Cash and deposits	¥21,997	¥21,997	¥-
(2) Notes and accounts receivable — trade	110,019	110,019	-
(3) Short-term loans receivable	6,516	6,516	-
(4) Investment securities			
Other securities	16,769	16,769	-
(5) Long-term loans receivable (※2)	10,939	-	-
Allowance for doubtful accounts	(338)	-	-
	10,601	11,088	487
(6) Notes and accounts payable — trade	(77,032)	(77,032)	-
(7) Short-term loans payable	(30,216)	(30,216)	-
(8) Current portion of long-term loans payable	(9,960)	(9,960)	-
(9) Current portion of bonds	(38)	(38)	-
(10) Current portion of lease obligations	(2,363)	(2,363)	-
(11) Bonds	(10,095)	(10,135)	(40)
(12) Long-term loans payable	(49,404)	(50,265)	(861)
(13) Lease obligations	(17,309)	(18,238)	(929)
(14) Derivative transactions (※3)	(440)	(440)	-

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 are stated at the carrying amount, which is approximate to it.

(4) Investment securities
The fair value of equity securities equals 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 are 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
	2013	2012	**2013**
Unlisted shares	**¥32,346**	¥19,618	**$343,923**

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.

Notes to Consolidated Financial Statements

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

(**For the year 2013**)	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
Cash and deposits	¥19,880	¥-	¥-	¥-	$211,377	$-	$-	$-
Notes and accounts receivable — trade	125,852	-	-	-	1,338,139	-	-	-
Short-term loans receivable	12,746	-	-	-	135,524	-	-	-
Long-term loans receivable	-	3,635	111	188	-	38,650	1,180	1,999
Total	¥158,478	¥3,635	¥111	¥188	$1,685,040	$38,650	$1,180	$1,999

(**For the year 2012**)	Millions of yen			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥21,997	¥-	¥-	¥-
Notes and accounts receivable — trade	110,019	-	-	-
Short-term loans receivable	6,516	-	-	-
Long-term loans receivable	-	10,304	573	62
Total	¥138,532	¥10,304	¥573	¥62

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

						Millions of yen
(**For the year 2013**)	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
Short-term loans payable	¥32,038	¥-	¥-	¥-	¥-	¥-
Bonds	38	38	10,019	-	-	-
Long-term loans payable	21,625	9,113	11,482	8,391	16,069	12,241
Lease obligations	2,442	2,045	2,244	1,682	1,399	10,430
Total	¥56,143	¥11,196	¥23,745	¥10,073	¥17,468	¥22,671

						Thousands of U.S. dollars
(**For the year 2013**)	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
Short-term loans payable	$340,649	$-	$-	$-	$-	$-
Bonds	404	404	106,528	-	-	-
Long-term loans payable	229,930	96,895	122,084	89,219	170,856	130,154
Lease obligations	25,965	21,744	23,860	17,884	14,875	110,899
Total	$596,948	$119,043	$252,472	$107,103	$185,731	$241,053

						Millions of yen
(**For the year 2012**)	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
Short-term loans payable	¥30,216	¥-	¥-	¥-	¥-	¥-
Bonds	38	38	38	10,019	-	-
Long-term loans payable	9,960	16,398	7,637	10,170	6,581	8,618
Lease obligations	2,363	2,075	1,676	1,892	1,299	10,367
Total	¥42,577	¥18,511	¥9,351	¥22,081	¥7,880	¥18,985

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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 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

KPMG AZSA LLC
June 27, 2013
Osaka, Japan