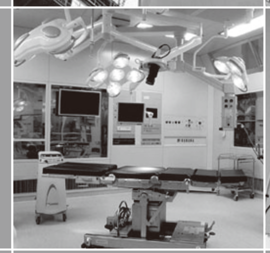
AIR WATER INC.

AIR WATER INC. supports "the KIZUKAI-UNDOH (Wood Products Utilization Campaign)" promoted by the Forestry Agency because we think it is important to positively use domestic timber and grow the forest in Japan. The domestic timber is used as papermaking material for producing this booklet, and it contributes to expand carbon absorption of the domestic forest.


RENOVATION FOR
THE NEW GENERATION




ANNUAL REPORT 2009

Year Ended
March 31, 2009
Financial Section

CONTENTS

Analysis of Financial Condition and Business Overview

1) Business Overview

Net sales increased by ¥22,547 million from the previous fiscal year to ¥448,773 million, primarily due to continuing favorable conditions such as high levels of operation across manufacturing overall and strong capital investment leading up to the second quarter, despite drops in sales from the third quarter mainly in the industrial and chemical businesses, due to an overall fall in domestic production, excluding shipbuilding.

Operating income totaled ¥25,779 million, an increase of ¥201 million from the previous fiscal year, primarily due to increased net sales and progress on structural reform to strengthen productivity in the medical business and the energy business.

Ordinary income was ¥27,874 million, an increase of ¥163 million from the previous fiscal year, primarily due to increased operating income.

Extraordinary income totaled ¥1,004 million, an increase of ¥773 million from the previous fiscal year, primarily due to an increase in gains on the sale of investment securities.

Extraordinary losses totaled ¥5,998 million, an increase of ¥3,354 million from the previous fiscal year, primarily due to increases in losses on devaluation of investment securities and a loss on liquidation of an affiliated company, as well as losses on devaluation of inventory.

As a result, income before taxes and other adjustments, as obtained by adding extraordinary income to and deducting extraordinary losses from ordinary income, stood at ¥22,879 million, while net income minus tax expenses and minority interests totaled ¥12,681 million, a decrease of ¥1,822 million from the previous fiscal year. Net income per share moved from ¥79.29 to ¥68.56, return on equity (ROE) from 12.2% to 9.8%, and return on assets (ROA) from 8.1% to 7.5%.

2) Financial Condition

Assets

Current assets increased by ¥23,840 million from the end of the previous fiscal year to ¥171,512 million, due to an increase in cash in hand or in banks and in assets arising from industry facilities for customers.

Fixed assets totaled ¥214,051 million, an increase of ¥8,324 million from the end of the previous fiscal year. The increase was primarily attributable to an increase in property, plant and equipment following increased capacity in the industrial business and the chemical business, despite a decrease in investment securities resulting from a decline in the valuation of the company's stock holdings.

These results gave an increase in total assets of ¥32,164 million from the end of the previous fiscal year to ¥385,563 million.

Liabilities

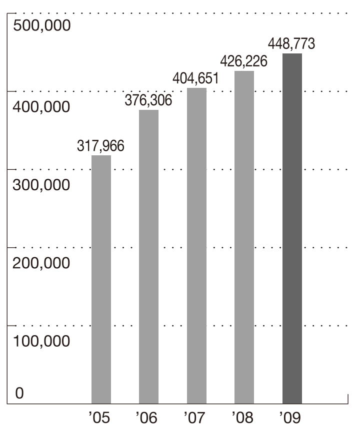
As a result of securing funds for capital investment via the issue of first unsecured convertible bonds and long-term debt, total liabilities increased by ¥26,925 million from the end of the previous fiscal year to ¥242,333 million.

Net Assets

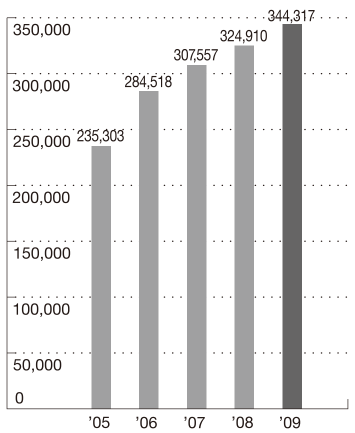
Net assets increased by ¥5,239 million from the end of the previous fiscal year to ¥143,230 million, due to gains in net income and despite a reduction in net unrealized holding gains on securities due to a decline in the valuation of the company's stock holdings.

Net assets per share increased to ¥715.60 from ¥689.41 for the previous fiscal year, and the equity ratio fell from 36.1% to 34.3%.

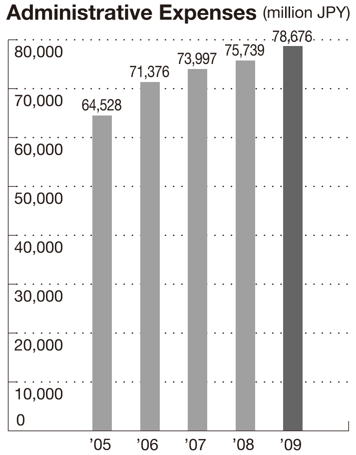
Net Sales (million JPY)



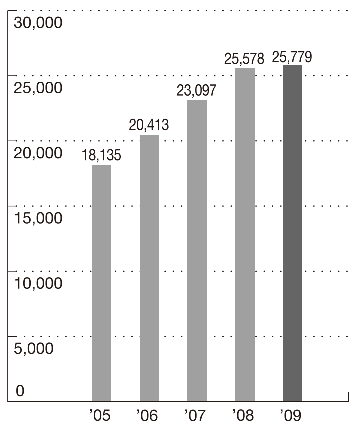
Cost of Sales (million JPY)



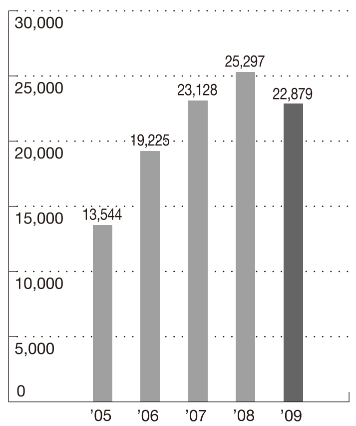
Selling, General and Administrative Expenses (million JPY)



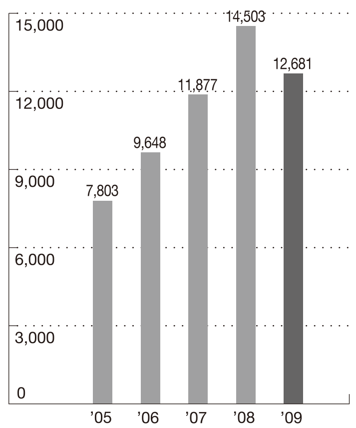
Operating Income (million JPY)



Income before Taxes and Other Adjustments (million JPY)



Net Income (million JPY)



3) Cash Flow

Cash flow from operating activities increased by ¥6,220 million from the previous fiscal year to ¥27,884 million, primarily due to increased depreciation and a fall in operating funds, although income before taxes and other adjustments decreased.

Cash flow from investing activities increased by ¥3,966 million from the previous fiscal year primarily due to increased expenditure for the acquisition of property, plant and equipment following capital investment in the industrial gas business, as well as an increase in disbursement of loans receivable, resulting in a net negative cash flow of ¥39,999 million. As a result free cash flow increased by ¥2,254 million from the previous fiscal year to a net negative cash flow of ¥12,115 million.

Cash flow from financing activities rose by ¥12,983 million from the previous fiscal year to ¥22,784 million, primarily due to borrowing for capital investment and the issue of first unsecured convertible bonds.

The result was that the balance of cash and cash equivalents at the end of the fiscal year was ¥23,185 million, an increase of ¥10,661 million from the previous fiscal year.

4) Risk Factors

The primary risk factors that may affect the AWI Group in conducting its business; bring about fluctuations in the status of business, accounting, and other sectors; or have a material influence on judgments to be made by investors are described below.

Forward-looking statements in the following discussion are based on judgments at the close of the fiscal year ended March 31, 2009.

Market

The oxygen, nitrogen, and other industrial gases produced and sold by the AWI 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.

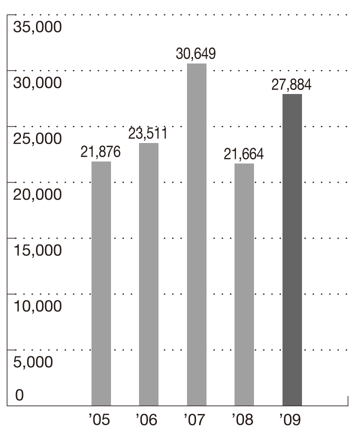
If electricity expenses rise as a result of higher crude oil prices or other factors, the production expenses for the oxygen, nitrogen and other industrial gases produced and sold by the AWI Group will increase. If the increased expenses cannot be passed on to the customer, profits from the sale of industrial gases could be affected.

The LPG and kerosene sold by the AWI Group are affected by such factors as contract prices and crude oil prices, and, if fluctuations in costs cannot be quickly reflected in sales prices, profits from the sale of LPG and kerosene could be affected.

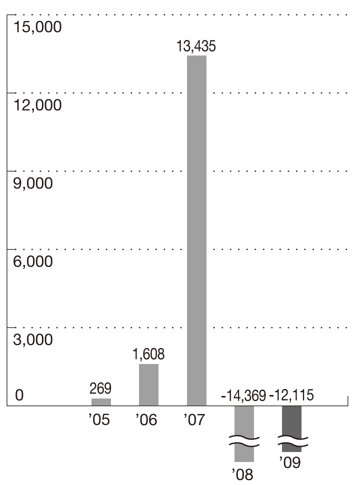
Rising Fuel Expenses

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

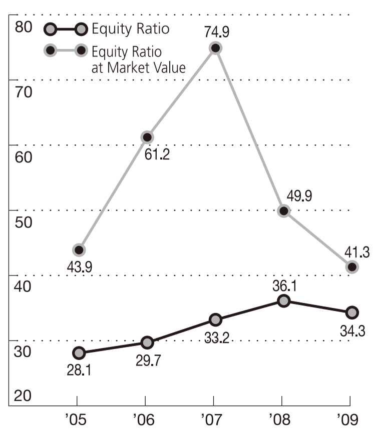
Cash Flow from Operating Activities (million JPY)



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

Analysis of Financial Condition and Business Overview

Drug Reimbursement Prices

The AWI Group supplies medical gases and provides services to medical institutions, and sales of those products and services could be affected by a revision of the national insurance drug reimbursement prices.

Safety and Quality

The AWI Group produces and sells high-pressure gases and other products in compliance with the High Pressure Gas Safety Law and the LPG Law, so the Group's operating results and financial condition could be affected in the event of an industrial accident or similar event. The AWI Group produces, imports, and sells medical gases and medical equipment in compliance with the Pharmaceutical Affairs Law, so the Group' s operating results and financial condition could be affected in the event of a product defect resulting in a recall or liability compensation. The AWI Group produces and sells frozen foods and ham/delicatessen products in compliance with the Food Sanitation Law, the JAS (Japan Agricultural Standards) Law (labeling standards), and other relevant laws and regulations, so customer confidence and the Group' s operating results and financial condition could be affected in the event of a quality issue.

Business Investment

As the AWI Group has been actively expanding its business in recent years through mergers and acquisitions, the Group' s operating results and financial condition could be affected in the event that these investments do not perform as anticipated.

Competitors

The AWI Group' s business groups all compete with a variety of other companies, and there is also potential competition risk from new companies entering our fields of business. As a result, the Group' s operating results and financial condition could be affected if measures such as business expansion and cost reductions are not implemented in a timely manner in response to such competition.

Environmental Regulations

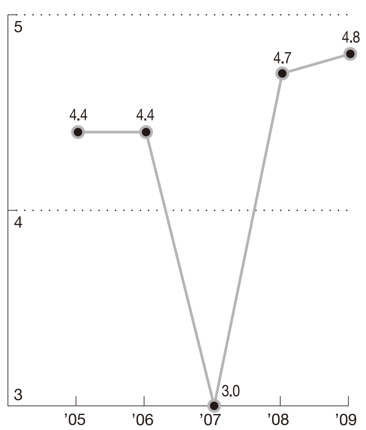
The AWI Group' s business operations are subject to environmental laws and regulations in Japan and other countries, and while all operations are conducted in full compliance with those laws and regulations, in the event that stricter requirements are enforced as a result of revised or newly implemented environmental laws and regulations, the Group' s operating results and financial condition could be affected due to the increased cost of compliance.

Natural Disasters

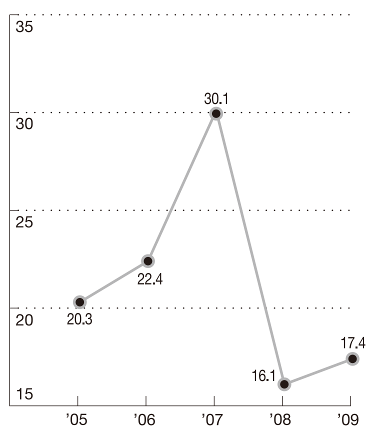
In the event that a natural disaster such as an earthquake causes serious damage to the AWI Group' s production facilities and results in a significant loss of production capacity or a delay in production operations, the Group's operating results and financial condition could be affected.

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
ASSETS			
Current assets:			
Cash on hand and in banks (Notes 3)	¥21,044	¥12,554	$214,232
Short-term investment securities (Note 5)	3,001	364	30,551
Notes and accounts receivable - trade	87,913	91,695	894,971
Inventories (Note 4)	35,496	29,473	361,356
Short-term loans receivable	12,900	4,328	131,324
Deferred tax assets (Note 9)	3,301	2,929	33,605
Other current assets	9,185	7,607	93,505
Allowance for doubtful accounts	(1,328)	(1,278)	(13,519)
Total current assets	171,512	147,672	1,746,025
Property, plant and equipment (Note 7):			
Land (Note 6)	43,564	42,030	443,490
Buildings and structures	83,112	79,090	846,096
Machinery , equipment and vehicles	159,727	151,203	1,626,051
Lease assets	4,608	-	46,910
Construction in progress	12,562	7,188	127,884
Other	32,157	42,729	327,364
	335,730	322,240	3,417,795
Less accumulated depreciation	179,156	180,788	1,823,842
Total property, plant and equipment	156,574	141,452	1,593,953
Investments and other assets:			
Investment securities (Notes 5)	30,761	36,335	313,153
Investment in partnerships	1,676	1,277	17,062
Deferred tax assets (Note 9)	2,602	2,544	26,489
Goodwill	13,213	13,215	134,511
Other assets (Note 7)	10,406	11,644	105,934
Allowance for doubtful accounts	(1,181)	(740)	(12,023)
Total investments and other assets	57,477	64,275	585,126
Total assets	¥385,563	¥353,399	$3,925,104

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

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Trade	¥64,386	¥66,002	$655,462
Construction	2,641	3,706	26,886
Short-term borrowings, including current portion of long-term debt (Note 7)	51,979	54,469	529,156
Accrued expenses	12,547	12,757	127,731
Income taxes payable (Note 9)	4,196	5,786	42,716
Directors' and statutory auditors' bonuses	211	208	2,148
Lease obligations (Note 7)	534	-	5,436
Other current liabilities	5,288	5,133	53,833
Total current liabilities	141,782	148,061	1,443,368
Long-term liabilities:			
Long-term debt (Note 7)	78,360	47,147	797,720
Deferred tax liabilities (Note 9)	5,418	7,390	55,156
Deferred tax liabilities related to revalued land (Note 6 and 9)	1,322	1,316	13,458
Employees' severance and pension benefits (Note 17)	7,353	7,483	74,855
Directors' and statutory auditors' retirement benefits	689	595	7,014
Lease obligations (Note 7)	4,197	-	42,726
Other long-term liabilities	3,212	3,415	32,698
Total long-term liabilities	100,551	67,346	1,023,627
Contingent liabilities (Note 12)			
Total liabilities	242,333	215,407	2,466,995
NET ASSETS (NOTE10)			
Owners' equity:			
Common stock			
Authorized - 480,000,000 shares			
Issued - 184,918,880 shares in 2009 and 185,039,839 shares in 2008	25,514	25,514	259,737
Capital surplus	27,683	27,694	281,818
Retained earnings (Note 20)	86,220	77,808	877,736
Treasury stock, at cost	(325)	(193)	(3,309)
286,177 shares in 2009 and 165,218 shares in 2008			
Valuation and translation adjustments:			
Net unrealized holding gains on securities	2,282	5,925	23,231
Deferred gains or losses on hedges	(268)	(224)	(2,728)
Land revaluation difference (Note 6)	(8,930)	(8,937)	(90,909)
Foreign currency translation adjustments	151	(19)	1,537
Total valuation and translation adjustments	(6,765)	(3,255)	(68,869)
Stock purchase warrants (Note 18)	102	42	1,039
Minority interests	10,801	10,382	109,957
Total net assets	143,230	137,992	1,458,109
Total liabilities and net assets	¥385,563	¥353,399	$3,925,104

Consolidated Statements of Income

AIR WATER INC.
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Net sales	**¥448,773**	¥426,226	**$4,568,594**
Cost of sales	**344,317**	324,910	**3,505,212**
Selling, general and administrative expenses	**78,677**	75,738	**800,947**
Operating income	**25,779**	25,578	**262,435**
Other income (expenses):			
Interest and dividend income	**657**	632	**6,688**
Interest expense	**(1,628)**	(1,344)	**(16,573)**
Equity in earnings of nonconsolidated subsidiaries and affiliates	**2,304**	2,283	**23,455**
Gain on change in equity	**-**	32	**-**
Gain on sales of noncurrent assets	**132**	49	**1,344**
Gain on sales of investment securities	**871**	63	**8,867**
Gain on sales of investment in partnerships	**-**	37	**-**
Loss on sales and disposals of noncurrent assets	**(1,289)**	(1,049)	**(13,122)**
Loss on impairment of fixed assets (Note 13)	**(217)**	(636)	**(2,209)**
Loss on valuation of investment securities	**(2,853)**	(513)	**(29,044)**
Early retirement benefits expense	**-**	(69)	**-**
Loss on business of subsidiaries and affiliates (Note 14)	**(746)**	(92)	**(7,594)**
Loss on valuation of inventories	**(442)**	-	**(4,500)**
Other - net	**311**	326	**3,166**
Income before income taxes and minority interests	**22,879**	25,297	**232,913**
Income taxes (Note 9):			
Current	**9,232**	9,590	**93,984**
Deferred	**60**	83	**611**
Income before minority interests	**13,587**	15,624	**138,318**
Minority interest	**(906)**	(1,121)	**(9,223)**
Net income	**¥12,681**	¥14,503	**$129,095**

	Yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Per share of common stock:			
Net income - basic	**¥68.56**	¥79.29	**$0.70**
Net income - diluted	**68.49**	78.63	**$0.70**
Cash dividends applicable to the year	**22.00**	22.00	**$0.22**

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

Consolidated Statements of Changes in Net Asset

AIR WATER INC.
Year ended March 31, 2008

Millions of yen

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Net assets at April 1, 2007	**¥19,874**	**¥19,631**	**¥67,119**	**¥(224)**	**¥106,400**
Changes in items during the period					
Exercise of stock acquisition rights	5,640	5,639			11,279
Stock swaps		2,422		227	2,649
Dividends from surplus			(3,726)		(3,726)
Land revaluation difference			(7)		(7)
Net income			14,503		14,503
Decrease in retained earnings due to newly consolidated subsidiaries			(54)		(54)
Decrease resulting from merger of consolidated subsidiaries and nonconsolidated subsidiaries			(27)		(27)
Purchase of treasury stock				(215)	(215)
Disposal of treasury stock		2		19	21
Net changes in items other than owners' equity					
Total changes in items during the period	**5,640**	**8,063**	**10,689**	**31**	**24,423**
Balance as of March 31, 2008	**¥25,514**	**¥27,694**	**¥77,808**	**¥(193)**	**¥130,823**

Millions of yen

	Valuation and translation adjustments							
	Net unrealized holding gains on securities	Deferred gains on hedges	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments	Stock purchase warrants	Minority interests	Total net assets
Net assets at April 1, 2007	**¥11,643**	**¥38**	**¥(8,631)**	**¥(12)**	**¥3,038**	**¥-**	**¥8,806**	**¥118,243**
Changes in items during the period								
Exercise of stock acquisition rights								**11,279**
Stock swaps								**2,649**
Dividends from surplus								**(3,726)**
Land revaluation difference								**(7)**
Net income								**14,503**
Decrease in retained earnings due to newly consolidated subsidiaries								**(54)**
Decrease resulting from merger of consolidated subsidiaries and nonconsolidated subsidiaries								**(27)**
Purchase of treasury stock								**(215)**
Disposal of treasury stock								**21**
Net changes in items other than owners' equity	(5,718)	(262)	(306)	(7)	(6,293)	42	1,576	(4,675)
Total changes in items during the period	**(5,718)**	**(262)**	**(306)**	**(7)**	**(6,293)**	**42**	**1,576**	**19,748**
Balance as of March 31, 2008	**¥5,925**	**¥(224)**	**¥(8,937)**	**¥(19)**	**¥(3,255)**	**¥42**	**¥10,382**	**¥137,991**

Consolidated Statements of Changes in Net Asset

AIR WATER INC.
Year ended March 31, 2009

Millions of yen

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Net assets at April 1, 2008	**¥25,514**	**¥27,694**	**¥77,808**	**¥(193)**	**¥130,823**
Changes in items during the period					
Dividends from surplus			(4,255)		(4,255)
Land revaluation difference			(8)		(8)
Net income			12,681		12,681
Decrease resulting from merger of consolidated subsidiaries and nonconsolidated subsidiaries			(4)		(4)
Change of scope of equity method			(2)		(2)
Purchase of treasury stock				(180)	(180)
Disposal of treasury stock		(11)		48	37
Net changes in items other than owners' equity					
Total changes in items during the period	**-**	**(11)**	**8,412**	**(132)**	**8,269**
Balance as of March 31, 2009	**¥25,514**	**¥27,683**	**¥86,220**	**¥(325)**	**¥139,092**

Millions of yen

	Valuation and translation adjustments							
	Net unrealized holding gains on securities	Deferred gains on hedges	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments	Stock purchase warrants	Minority interests	Total net assets
Net assets at April 1, 2008	**¥5,925**	**¥(224)**	**¥(8,937)**	**¥(19)**	**¥(3,255)**	**¥42**	**¥10,382**	**¥137,992**
Changes in items during the period								
Dividends from surplus								(4,255)
Land revaluation difference								(8)
Net income								12,681
Decrease resulting from merger of consolidated subsidiaries and nonconsolidated subsidiaries								(4)
Change of scope of equity method								(2)
Purchase of treasury stock								(180)
Disposal of treasury stock								37
Net changes in items other than owners' equity	(3,643)	(44)	7	170	(3,510)	60	419	(3,031)
Total changes in items during the period	**(3,643)**	**(44)**	**7**	**170**	**(3,510)**	**60**	**419**	**5,238**
Balance as of March 31, 2009	**¥2,282**	**¥(268)**	**¥(8,930)**	**¥151**	**¥(6,765)**	**¥102**	**¥10,801**	**¥143,230**

Consolidated Statements of Changes in Net Asset

Thousands of U.S. dollars (Note 1)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Net assets at April 1, 2008	**$259,737**	**$281,930**	**$792,100**	**$(1,964)**	**$1,331,803**
Changes in items during the period					
Dividends from surplus			(43,317)		(43,317)
Land revaluation difference			(81)		(81)
Net income			129,095		129,095
Decrease resulting from merger of consolidated subsidiaries and nonconsolidated subsidiaries			(41)		(41)
Change of scope of equity method			(20)		(20)
Purchase of treasury stock				(1,832)	(1,832)
Disposal of treasury stock		(112)		487	375
Net changes in items other than owners' equity					
Total changes in items during the period	**-**	**(112)**	**85,636**	**(1,345)**	**84,179**
Balance as of March 31, 2009	**$259,737**	**$281,818**	**$877,736**	**$(3,309)**	**$1,415,982**

Thousands of U.S. dollars (Note 1)

	Valuation and translation adjustments							
	Net unrealized holding gains on securities	Deferred gains on hedges	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments	Stock purchase warrants	Minority interests	Total net assets
Net assets at April 1, 2008	**$60,318**	**$(2,280)**	**$(90,980)**	**$(195)**	**$(33,137)**	**$428**	**$105,691**	**$1,404,785**
Changes in items during the period								
Dividends from surplus								(43,317)
Land revaluation difference								(81)
Net income								129,095
Decrease resulting from merger of consolidated subsidiaries and nonconsolidated subsidiaries								(41) (20)
Change of scope of equity method								(1,832)
Purchase of treasury stock								375
Disposal of treasury stock								
Net changes in items other than owners' equity	(37,087)	(448)	71	1,732	(35,732)	611	4,266	(30,855)
Total changes in items during the period	**(37,087)**	**(448)**	**71**	**1,732**	**(35,732)**	**611**	**4,266**	**53,324**
Balance as of March 31, 2009	**$23,231**	**$(2,728)**	**$(90,909)**	**$1,537**	**$(68,869)**	**$1,039**	**$109,957**	**$1,458,109**

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes and minority interest	¥22,879	¥25,297	$232,913
Depreciation	¥14,296	13,522	145,536
Loss on impairment of fixed assets	217	636	2,209
Amortization of goodwill	1,254	1,217	12,766
Increase (decrease) in allowance for doubtful accounts	491	(440)	4,998
Increase (decrease) in retirement benefits	(208)	21	(2,117)
Interest and dividend income	(657)	(632)	(6,688)
Interest expense	1,628	1,344	16,573
Equity in earnings of nonconsolidated subsidiaries and affiliates	(2,304)	(2,283)	(23,455)
Loss (gain) on change in equity	74	(32)	753
Gain on sales of noncurrent assets	(132)	(49)	(1,344)
Loss on sales and disposals of noncurrent assets	1,289	1,049	13,122
Gain on sales of investment securities	(871)	(63)	(8,867)
Loss on valuation of investment securities	2,853	571	29,044
Gain on sales of investment in partnerships	-	(37)	-
(Increase) decrease in notes and accounts receivable	4,502	1,601	45,831
(Increase) decrease in inventories	(5,232)	(2,388)	(53,263)
Increase (decrease) in notes and accounts payable	(2,524)	(5,378)	(25,695)
Other - net	1,047	(2,671)	10,660
Subtotal	38,602	31,285	392,976
Interest and dividends received	1,655	1,570	16,848
Interest paid	(1,605)	(1,348)	(16,339)
Income taxes paid	(10,768)	(9,843)	(109,621)
Net cash provided by operating activities	¥27,884	¥21,664	$283,864
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	(27,725)	(23,576)	(282,246)
Proceeds from sales of property, plant and equipment	386	2,538	3,930
Acquisitions of intangible assets	(1,628)	(1,790)	(16,573)
Purchase of investment securities	(4,450)	(6,671)	(45,302)
Proceeds from sales of investment securities	1,989	101	20,248
Acquisitions of consolidated subsidiaries, net of cash acquired (Note 3)	-	(5,312)	-
Proceeds from consolidated subsidiaries, net of cash acquired (Note 3)	130	-	1,323
Disbursement of loans receivable	(8,591)	(1,751)	(87,458)
Collection of loans receivable	348	412	3,543
Other - net	(458)	16	(4,662)
Net cash used in investing activities	¥(39,999)	¥(36,033)	$(407,197)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	2,245	10,498	22,855
Proceeds from long-term debt	28,922	19,396	294,431
Repayments of long-term debt	(18,411)	(15,406)	(187,427)
Proceeds from issuance of bonds	15,000	-	152,703
Repayments of bonds	(155)	(607)	(1,578)
Repayments of lease obligations	(173)	-	(1,761)
Purchase of treasury stock	(179)	(216)	(1,822)
Proceeds from sales of treasury stock	26	46	265
Cash dividends paid	(4,255)	(3,726)	(43,317)
Cash dividends paid to minority interests	(236)	(184)	(2,404)
Net cash provided by (used in) financing activities	¥22,784	¥9,801	$231,945
Effect of exchange rate changes on cash and cash equivalents	(27)	(5)	(274)
Net increase (decrease) in cash and cash equivalents	10,642	(4,573)	108,338
Cash and cash equivalents at beginning of year	12,524	16,846	127,497
Net increase in cash and cash equivalents by merger	19	14	193
Increase in cash and cash equivalents resulting from change of scope of consolidation	-	237	-
Cash and cash equivalents at end of year (Note 3)	¥23,185	¥12,524	$236,028

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

Notes to Consolidated Financial 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. Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of residence. As discussed in Note 2.(2), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with International Financial Reporting Standards, with adjustments for the specified six items as applicable, and required.

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, 2009, which was ¥98.23 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

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 athe 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 equity in undistributed earnings and losses from the date of acquisition.

The number of consolidated subsidiaries was 66 for the year ended March 31, 2009 (68 for the year ended March 31, 2008) and the number of companies accounted for using the equity method was 9 for the year ended March 31, 2009 (7 for the year ended March 31, 2008).

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 is 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

<Fiscal year 2007>

(Depreciation for fixed assets)

The depreciation method used of certain categories of property, plant and equipment has been changed from the declining balance method to the straight line method during the fiscal year.

The method of depreciation for fixed assets, “Property, plant and equipment,” acquired after April 1, 2007 has been changed to the method of depreciation based on the revised Corporation Tax Law of Japan in fiscal 2007.

The use of the declining balance method for the depreciation of tangible fixed assets was reviewed in the tax reforms in 2007. As a result, tangible fixed assets used at gas distribution plants could be depreciated in a manner more accurately reflecting profit and loss.

As a result, operating income increased by ¥647 million, and ordinary income and income before income taxes and minority interest increased by ¥715 million , for the year ended March 31, 2008.

The effect on segment information is described in Note 11.

(Accounting Standard for Reserve for Directors and statutory auditors’ Retirement Benefits)

“Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Statutory Auditors” (JICPA Audit and Assurance Practice Committee Report No. 42) was applicable from the fiscal year beginning on April 1, 2007. In accordance with this accounting change, certain consolidated subsidiaries provide for the liability for directors' and statutory auditors' retirement benefits based on their regulations decided internally in the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date.

As a result, operating income and ordinary income decreased by ¥23 million , and income before income taxes and minority interest decreased by ¥104 million, for the year ended March 31, 2008.

The effect on segment information is described in Note 11.

<Fiscal year 2008>

(New accounting standard for inventories)

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories”. As permitted under the superseded accounting standard, the Company and consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Replacement cost may be used in lieu of the net realizable value, if appropriate.

As a result, gross profit and operating income decreased by ¥168 million ($1,710 thousand), and income before income taxes and minority interests decreased by ¥610 million ($6,210 thousand) for the year ended March 31, 2009. The effects on segment information are described in Note 11.

Notes to Consolidated Financial Statements

(**New accounting standards for lease transactions**)
Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases
On March 31, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance lease transactions be treated as capital leases.

(For lessee)
Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.
There were no material effects as a result of the new standards on the consolidated financial statements for the year ended March 31, 2009.

(For Lessor)
Revenue recognition with regards to finance lease transactions recognizes sales revenue and cost of sales at the time when the lease payment was received. For finance lease transactions which do not transfer ownership of the leased property to the lessee which commenced prior to April 1, 2008, the investment lease asset was recognized at the book value of asset formerly recognized as a fixed asset, assuming relevant parties entered into a lease contract at the book value as of March 31, 2008.
There were no material effects as a result of the new standards on the consolidated financial statements for the year ended March 31, 2009.

(The accounts of consolidated overseas subsidiary)
On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the specified six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(3) Securities
Equity securities issued by subsidiaries and affiliated companies which are 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 principally stated 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 should be 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 based on 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 gains or losses, 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 gains or losses resulting from changes in the fair value of the derivative financial instruments until the related gains or losses 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.

(6) Property, plant and equipment
Property, plant and equipment are carried at cost. Depreciation is computed principally by the straight-line method.
Effective from the year ended March 31, 2009, the Company and consolidated domestic subsidiaries changed the useful asset lives, based on the reassessment of the useful lives due to the change in the Corporation Tax Code of Japan. The effect of this change is not material.

(7) Lease assets
Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful lives or the lease term of the respective assets.
Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful lives or lease terms, as applicable. However, the Companies account for finance leases commencing prior to April 1, 2008 which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information.

(8) Bond issue expenses
Bond issue expenses are recognized as incurred.

(9) Amortization of goodwill
Goodwill is amortized using the straight-line method over 20 years. A limited amount of goodwill is recognized income directly when incurred.

(10) Allowance for doubtful accounts
The allowance for doubtful accounts is provided for 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.

(11) Directors' and statutory auditors' bonuses
The provision for directors' and statutory auditors' bonuses are 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.

(12) Retirement benefits
(a) Employees
The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, to supplement a governmental welfare pension plan and 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 the liability for directors' and statutory auditors' retirement benefits based on regulations decided internally in the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date.

(13) Research and development expenses
Research and development expenses, which were ¥3,363 million ($34,236 thousand) and ¥2,983 million for the years ended March 31, 2009 and 2008, respectively, are recognized when paid and are included in general and administrative expenses.

(14) Translation of foreign currencies
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date.

(15) 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.

(16) 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.

(17) 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 cash dividends declared as applicable to each period.

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, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash on hand and in banks in the consolidated balance sheets	**¥21,044**	¥12,554	**$214,232**
Time deposits with maturities exceeding 3 months	**(860)**	(394)	**(8,755)**
Short-term investment securities	**3,001**	364	**30,551**
Cash and cash equivalents on the consolidated statements of cash flows	**¥23,185**	¥12,524	**$236,028**

The assets and liabilities of newly acquired subsidiaries were as follows

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets	**¥1,759**	¥8,691	**$17,907**
Noncurrent assets	**279**	11,838	**2,840**
Current liabilities	**(2,242)**	(6,847)	**(22,824)**
Long-term liabilities	**(107)**	(3,326)	**(1,089)**
Cost in excess of net assets of subsidiaries	**319**	217	**3,247**
Minority interests	**-**	(4,275)	**-**
Acquisition cost	**8**	6,298	**81**
Purchase amount of stocks	**-**	5,794	**-**
Cash and cash equivalents of acquired companies	**138**	(482)	**1,404**
Net expenditure(revenue)	**¥(130)**	¥5,312	**$(1,323)**

There were no significant non cash transactions for the year ended March 31, 2009.
Significant non cash transactions for the year ended March 31, 2008 were as follows:

	Millions of yen
	2008
Issuance of new stock by execution of stock acquisition rights:	
Credited to common stock	¥5,640
Credited to capital surplus	5,639
Decrease of zero coupon convertible bonds due 2009	¥11,279

4. Inventories

Inventories as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Merchandise and finished goods	**¥16,589**	¥17,691	**$168,879**
Work in process	**12,782**	5,644	**130,123**
Row materials and supplies	**6,125**	6,138	**62,354**
	¥35,496	¥29,473	**$361,356**

5. Securities

(1) Available-for-sale securities with available fair market values at March 31, 2009 and 2008 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference gain (loss)	Acquisition cost	Book value	Difference gain (loss)	Acquisition cost	Book value	Difference gain (loss)
			2009			2008			**2009**
Securities with book values exceeding acquisition costs:									
Stocks	**¥3,274**	**¥9,706**	**¥6,432**	¥7,897	¥19,428	¥11,531	**$33,330**	**$98,809**	**$65,479**
Securities with book values not exceeding acquisition costs:									
Stocks	**7,433**	**5,624**	**(1,809)**	4,126	3,315	(811)	**75,669**	**57,253**	**(18,416)**
	¥10,707	**¥15,330**	**¥4,623**	¥12,023	¥22,743	¥10,720	**$108,999**	**$156,062**	**$47,063**

(2) The following table summarizes book values of securities with no available fair values as of March 31, 2009 and 2008:

(a) Shares of subsidiaries and affiliates:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Non-listed shares	**¥14,081**	¥12,218	**$143,347**

(b) Available-for-sale securities

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Non-listed shares	**¥1,300**	¥1,374	**$13,234**
Negotiable certificates of deposit	**3,000**		**30,541**
Other	**51**	364	**520**
	¥4,351	¥1,738	**$44,295**

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 differences of the book value compared to the fair value of the revalued land as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Revalued land	**¥(2,728)**	¥(3,008)	**$(27,772)**

7. Short-term borrowings and long-term debt

The weighted average interest rate of short-term borrowings as of March 31, 2009 and 2008, were 0.97% and 1.24%, respectively.
Long-term debt as of March 31, 2009 and 2008 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans from banks and insurance companies with interest rates			
ranging from 0.93% to 2.87% maturing through 2023	**¥74,566**	¥64,084	**$759,096**
Zero coupon unsecured convertible bonds due 2012	**15,000**	-	**152,703**
1.36% unsecured bonds due 2010	**100**	100	**1,018**
1.27% unsecured bonds due 2010	**100**	100	**1,018**
0.20% unsecured bonds due 2008	**-**	100	**-**
0.82% unsecured bonds due 2009	**20**	60	**204**
1.24% unsecured bonds due 2011	**38**	53	**387**
0.97% unsecured bonds due 2010	**100**	100	**1,018**
Lease obligations through 2028	**4,731**	-	**48,162**
	94,655	64,597	**963,606**
Less amount due within one year	**12,098**	17,450	**123,160**
	¥82,557	¥47,147	**$840,446**

The aggregate annual maturities of long-term debt as of March 31, 2009 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥12,098	$123,160
2011	16,015	163,036
2012	24,077	245,108
2013	5,129	52,214
2014	13,986	142,380
2015 and thereafter	23,350	237,708

As of March 31, 2009, the following assets were pledged as collateral for short-term bank loans of ¥3,922 million (US$39,927 thousand) and long-term debt of ¥9,607 million (US$97,801 thousand):

	Millions of yen	Thousands of U.S. dollars
Land	10,047	102,280
Buildings and structures	4,010	40,823
Machinery and equipment	1,339	13,631
Other (property, plant and equipment)	37	377
Other assets	44	448
	¥15,477	$157,559

8. Derivative financial instruments and hedging transactions

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Items hedged:
Forward foreign exchange contracts	Import and export transactions
Interest rate swap contracts	Interest on long-term debt
Interest rate option	Interest on long-term debt

The Companies had derivatives outstanding at March 31, 2009 and 2008, all of which were accounted for as hedges.

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 40.6% for the years ended March 31, 2009 and 2008.

Significant items in the reconciliation of the aggregate statutory income tax rate with the effective income tax rate for the year ended March 31, 2009 are not disclosed since the difference was not material (less than 5%).

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, 2008:

	2008
Statutory tax rate	40.6%
Non-deductible expenses	1.5
Equity in earnings of non-consolidated subsidiaries and affiliates	(3.7)
Per capita inhabitants taxes	0.7
Other	(0.9)
Effective tax rate	38.2%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
For 2009	**2009**	2008	**2009**
Deferred tax assets:			
Retirement benefits	**¥3,348**	¥3,379	**$34,083**
Excess bonuses accrued	**1,778**	1,723	**18,100**
Loss on impairment of noncurrent assets	**972**	777	**9,895**
Loss on valuation of investment securities	**585**	1,408	**5,955**
Accrued enterprise taxes	**580**	527	**5,905**
Loss on business of subsidiaries and affiliates	**563**	-	**5,731**
Allowance for doubtful accounts	**-**	644	**-**
Net operating losses carried forward for tax purposes	**499**	411	**5,080**
Other	**3,181**	2,103	**32,383**
Total deferred tax assets	**11,506**	10,972	**117,133**
Valuation allowance	**(1,657)**	(1,036)	**(16,868)**
Net deferred tax assets	**9,849**	9,936	**100,265**
Deferred tax liabilities:			
Retained earnings appropriated for allowable tax reserves	**(4,307)**	(4,330)	**(43,846)**
Net unrealized holding gains on securities	**(1,908)**	(4,370)	**(19,424)**
Variance of the estimate with capital consolidation	**(1,589)**	(1,496)	**(16,176)**
Other	**(1,560)**	(1,657)	**(15,881)**
Total deferred tax liabilities	**(9,364)**	(11,853)	**(95,327)**
Net deferred tax assets (net deferred tax liabilities)	**¥485**	¥(1,917)	**$4,938**

Besides the above mentioned, deferred tax assets and liabilities for land revaluation difference as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets	**¥4,418**	¥4,436	**$44,976**
Valuation allowance	**(4,317)**	(4,314)	**(43,948)**
Net deferred tax assets	**¥101**	¥122	**$1,028**
Deferred tax liabilities	**¥ (1,423)**	¥ (1,438)	**$ (14,486)**

10. Net assets

Under Japanese laws and regulations, 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.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock. 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.

11. Segment information

Information by industry segment for the years ended March 31, 2009 and 2008 were as folllows:

Millions of yen

For 2009	Industrial business	Medical business	Chemical business	Energy business	Other business	Elimination and corporate	Consolidated
Net sales:							
Customers	¥201,245	¥52,958	¥109,561	¥47,545	¥37,464	¥-	¥448,773
Inter-segment	5,619	36	431	713	14,008	(20,807)	-
Total	206,864	52,994	109,992	48,258	51,472	(20,807)	448,773
Costs and expenses	190,211	50,695	106,990	46,349	49,556	(20,807)	422,994
Operating income	¥16,653	¥2,299	¥3,002	¥1,909	¥1,916	¥-	¥25,779
Assets	¥177,195	¥35,710	¥78,968	¥29,751	¥37,953	¥25,986	¥385,563
Depreciation	¥7,913	¥762	¥2,595	¥1,771	¥1,255	¥-	¥14,296
Loss on impairment of fixed assets	¥-	¥-	¥-	¥-	¥178	¥39	¥217
Capital expenditures	¥18,281	¥991	¥10,495	¥3,431	¥2,296	¥-	¥35,494

Millions of yen

For 2008	Industrial business	Medical business	Chemical business	Energy business	Other business	Elimination and corporate	Consolidated
Net sales:							
Customers	¥194,571	¥51,800	¥91,329	¥51,094	¥37,432	¥-	¥426,226
Inter-segment	6,137	51	925	838	16,327	(24,278)	-
Total	200,708	51,851	92,254	51,932	53,759	(24,278)	426,226
Costs and expenses	182,971	50,542	89,081	50,238	52,094	(24,278)	400,648
Operating income	¥17,737	¥1,309	¥3,173	¥1,694	¥1,665	¥-	¥25,578
Assets	¥162,107	¥33,873	¥68,061	¥30,835	¥38,271	¥20,252	¥353,399
Depreciation	¥7,272	¥857	¥1,445	¥2,226	¥1,722	¥-	¥13,522
Loss on impairment of fixed assets	¥-	¥-	¥-	¥-	¥628	¥8	¥636
Capital expenditures	¥17,057	¥737	¥3,224	¥3,925	¥1,818	¥-	¥26,761

Thousands of U.S. dollars

For 2009	Industrial business	Medical business	Chemical business	Energy business	Other business	Elimination and corporate	Consolidated
Net sales:							
Customers	$2,048,712	$539,122	$1,115,352	$484,017	$381,391	$-	$4,568,594
Inter-segment							
Total	57,203	367	4,387	7,259	142,603	(211,819)	-
Costs and expenses	2,105,915	539,489	1,119,739	491,276	523,994	(211,819)	4,568,594
Operating income	1,936,384	516,085	1,089,178	471,842	504,489	(211,819)	4,306,159
Assets	$169,531	$23,404	$30,561	$19,434	$19,505	$-	$262,435
Depreciation	$1,803,879	$363,535	$803,909	$302,871	$386,369	$264,541	$3,925,104
Loss on impairment of fixed	$80,556	$7,757	$26,418	$18,029	$12,776	$-	$145,536
assets	$-	$-	$-	$-	$1,812	$397	$2,209
Capital expenditures	$186,104	$10,089	$106,841	$34,928	$23,374	$-	$361,336

Corporate assets are mainly comprised of cash and time deposits, short-term investment securities, investment securities and assets of administrative departments. Corporate assets as of March 31, 2009 and 2008 were ¥47,122 million ($479,711 thousand) and ¥41,190 million, respectively.

<Accounting Change>
Fiscal year 2007
(Method of depreciation for fixed assets)
As shown in Accounting change, the Company and its domestic subsidiaries changed the depreciation method for fixed assets.
As a result, operating expenses were ¥140 million less in the industrial business segment, ¥17 million less in the medical business segment, ¥279 million less in the chemical business segment, ¥18 million less in the energy business segment, and ¥193 million less in the other business segment than they would have been without the change. Operating income increased by the same amounts accordingly.

(Additional information)
As shown in Note2. (6), property, plant and equipment are carried at cost. Depreciation is computed principally by the straight-line method.
In accordance with revisions to the Corporation Tax Law, the Companies depreciate the difference between the reminder value and an amount equivalent to 5% of the acquisition cost of an asset acquired on or before April 1, 2007 using the straight line method over a period of 5 years from the year after the year in which this difference reaches 5% of the acquisition cost through depreciation under the pre-revisions Corporation Tax Law.
As a result, operating expenses were ¥376 million more in the industrial business segment, ¥25 million more in the medical business segment, ¥152 million more in the chemical business segment, ¥28 million more in the energy business segment, and ¥80 million more in the other business segment than they would have been without the revisions. Operating income decreased by the same amounts accordingly.

(Accounting procedure of directors and statutory auditors' retirement benefits)
As shown in Accounting change, effective April 1, 2007, some of the domestic subsidiaries have adopted the new accounting procedure for directors and statutory auditors' retirement benefits.
As a result, operating expenses were ¥22 million more in the industrial business segment, ¥1 million more in the medical business segment than they would have been without the change. Operating income decreased by the same amounts accordingly.

Fiscal year 2008
(New accounting standard for inventories)
As discussed in Note 2 (2), the Company and consolidated domestic subsidiaries adopted the new accounting standard for inventories during the year ended March 31, 2009. As a result, in 2009, operating expenses in the industry segment increased by ¥74 million ($753 thousand) and operating income decreased by the same amount, operating expenses in medical segment increased by ¥59 million ($601thousand) and operating income decreased by the same amount, operating expenses in the chemical segment increased by ¥23 million ($234thousand) and operating income decreased by the same amount, operating expenses in the energy segment increased by ¥3 million ($30thousand) and operating income decreased by the same amount, and operating expenses in the other business segment increased by ¥9 million ($92 thousand) and operating income decreased by the same amount.

Millions of yen

For 2008	Industrial business	Medical business	Chemical business	Energy business	Other business	Elimination and corporate	Consolidated
Net sales:							
Customers	¥194,571	¥51,800	¥91,329	¥51,094	¥37,432	¥-	¥426,226
Inter-segment	6,137	51	925	838	16,327	(24,278)	-
Total	200,708	51,851	92,254	51,932	53,759	(24,278)	426,226
Costs and expenses	182,971	50,542	89,081	50,238	52,094	(24,278)	400,648
Operating income	¥17,737	¥1,309	¥3,173	¥1,694	¥1,665	¥-	¥25,578
Assets	¥162,107	¥33,873	¥68,061	¥30,835	¥38,271	¥20,252	¥353,399
Depreciation	¥7,272	¥857	¥1,445	¥2,226	¥1,722	¥-	¥13,522
Loss on impairment of fixed assets	¥-	¥-	¥-	¥-	¥628	¥8	¥636
Capital expenditures	¥17,057	¥737	¥3,224	¥3,925	¥1,818	¥-	¥26,761

Information by geographic area was omitted as sales and assets in Japan accounted for more than 90% of consolidated net sales and net assets.

Overseas sales were omitted as overseas sales of the Companies for the years ended March 31, 2009 and 2008 accounted for less than 10% of consolidated net sales.

12. Contingent liabilities

As of March 31, 2009, the Companies were contingently liable with respect to notes receivable discounted in the amount of ¥532 million ($5,416 thousand). As of the same date, the Companies were also contingently liable as guarantors for loans to other companies and employees in the amount of ¥1,112 million ($11,320 thousand).

13. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the year ended March 31, 2009 and 2008 was as follows:

For the year 2008

Use	Type of assets	Place	Millions of yen
Assets concerning ECOROCA	Leased asset	Mito-city Ibaraki Prefecture	¥628
Idle assets	Land	Namegata-city Ibaraki Prefecture	¥8

For the year 2009

Use	Type of assets	Place	Millions of yen	Thousands of U.S. dollars
Idle assets	Land	Kitami-city Hokkaido Prefecture , etc	¥49	$499
-	Goodwill		¥168	$1,710

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

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

Goodwill was not able to earn the profit which the Companies estimated at first, therefore the Companies reduced the book value to the recoverable amounts.

14. Loss on business of subsidiaries and affiliates

Loss on business of subsidiaries and affiliates for the year ended March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loss on valuation of stocks of subsidiaries and afficiates	**¥362**	¥34	**$3,685**
Provision of allowance for doubtful accounts	**288**	58	**2,932**
Other	**96**	-	**977**
	¥746	¥92	**$7,594**

15. Finance leases

Capitalized fixed assets used under finance lease arrangements as lessee for the years ended March 31, 2009 were principally production facilities used in industry segment.

Information on finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees and accounted for as operating leases for the year ended March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
(1) Future minimum lease payments, including financing charges:			
Due within one year	**¥5,588**	¥6,956	**$56,887**
Due after one year	**27,998**	34,783	**285,025**
	¥33,586	¥41,739	**$341,912**

Allowance for impairment loss on leased property of ¥304 million ($3,095 thousand) as of March 31, 2009 was not included in obligations under finance leases.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
(2) Original lease obligation, payments made, remaining balance and accumulated impairment loss:			
Original lease obligation	**¥50,419**	¥57,663	**$513,275**
Payments made	**22,269**	20,963	**226,703**
Accumulated impairment loss	**341**	341	**3,471**
Remaining balance	**¥27,809**	¥36,359	**$283,101**
(3) Lease payments for the period	**¥6,786**	¥6,863	**$69,083**

If the above finance leases had been capitalized, depreciation of ¥5,760 million ($58,638 thousand), reversal of allowance for impairment loss on leased property of ¥18 million ($183 thousand), and interest of ¥1,140 million ($11,605 thousand) would have been recorded for the year ended March 31, 2009.

Information relating to finance leases of the Companies, as lessor, for the year ended March 31, 2008 was as follows:

	Millions of yen
	2008
(1) Future minimum lease receipts, including financing charges:	
Due within one year	¥951
Due after one year	5,748
	¥6,699
(2) Acquisition cost, accumulated depreciation and book value of leased properties:	
Acquisition cost	¥2,993
Accumulated depreciation	1,515
Book value	¥1,478
(3) Lease receipts	¥592
(4) Depreciation	¥394

16. Operating leases

Obligations under non-cancelable operating leases as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥325**	¥287	**$3,309**
Due after one year	**1,681**	1,919	**17,112**
	¥2,006	¥2,206	**$20,421**

17. Employees' severance and pension benefits

The liabilities for employees' severance and pension benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Projected benefit obligation	**¥27,856**	¥29,101	**$283,579**
Prepaid pension costs	**2,928**	3,172	**29,808**
Unrecognized prior service costs	**3,020**	2,387	**30,744**
Unrecognized actuarial differences	**(10,137)**	(8,517)	**(103,197)**
Less fair value of pension assets	**(16,314)**	(18,660)	**(166,079)**
Liability for severance and pension benefits	**¥7,353**	¥7,483	**$74,855**

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service costs - benefits earned during the year	**¥1,432**	¥1,527	**$14,578**
Interest costs on projected benefit obligation	**580**	610	**5,905**
Expected return on plan assets	**(415)**	(492)	**(4,225)**
Amortization of actuarial differences	**1,136**	994	**11,565**
Amortization of prior service costs	**(384)**	(303)	**(3,910)**
Severance and retirement benefit expenses	**¥2,349**	¥2,336	**$23,913**

The discount rate and the rate of expected return on plan assets used by the Companies were approximately 2.5% (2.5% in 2008) and mainly 2.5% (2.5% in 2008), 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 approximately 12 years (12 years in 2008). Prior service cost was recognized in the income statement using the straight-line method over 12 years (12 years in 2008).

18. Stock options

(1) Expenses recorded in the year ended March 31, 2009 were 71 million and were included in selling, general and administrative expenses.

(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	Common stock 60,100 shares	Common stock 67,300 shares
Date of grant	August 31, 2007	September 1, 2008
Vesting conditions	A holder relinquishes the position as a director of the Company	A 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	Nihonkaisui Co., Ltd	Nihonkaisui Co., Ltd
Date of resolution	August 30, 2004	September 28, 2007
Persons granted	5 directors	5 directors and 5 employees
Number of options granted	Common stock 606,349 shares	Common stock 408,991 shares
Date of grant	August 31, 2004	September 29, 2007
Vesting conditions	-	-
Eligible employment period	-	-
Exercise period	From September 1, 2006 to August 31, 2014	From September 29, 2009 to September 28, 2017

The following table summarize number, movement and price of stock options
Number, movement and price of stock options

Company name	AIR WATER Inc.	AIR WATER Inc.	Nihonkaisui Co., Ltd	Nihonkaisui Co., Ltd
Date of resolution	August 8, 2007	July 30, 2008	August 30, 2004	September 28, 2007
Before vesting options (number of shares)				
March 31, 2008	60,100	-	-	-
Granted	-	67,300	-	-
Forfeited	-	-	-	-
Vested	6,800	4,300	-	-
March 31, 2009	53,300	63,000	-	-
After vesting options (number of shares)				
March 31, 2008	-	-	182,765	408,991
Vested	6,800	4,300	-	-
Exercised	6,800	4,300	182,765	-
Forfeited	-	-	-	-
March 31, 2009	0	0	0	408,991

The following table summarize Price per shares

Company name	AIR WATER Inc.	AIR WATER Inc.	Nihonkaisui Co., Ltd	Nihonkaisui Co., Ltd
Date of resolution	August 8, 2007	July 30, 2008	August 30, 2004	September 28, 2007
Exercise price (yen)	1	1	100	540
Average stock price at exercise(yen)	833	777	-	-
Fair value price at grant date(yen)	1,001	1,104	-	-

The fair value price for stock options resolved at July 30, 2008 by AIR WATER Inc. is estimated using the Black-scholes Option Pricing Model with the following assumptions:

Volatility of stock price	**28.9%**
Estimated remaining outstanding period	**10 years**
Estimated dividend per share	**¥22** **($0.22)**
Risk-free interest rate	**1.52%**

19. Related Party Transactions

The Company directly owned 49% of Sakai Gases Center Co. Ltd's voting shares at March 31, 2009.
Significant transactions with related parties for the years ended March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Payments of short-term loans receivable	¥7,302	$74,336
Interest income	34	346

The balance of the Company due to related party for the year ended March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
short-term loans receivable	¥8,117	$82,633

Information on C-Chem Co., Ltd which is material affiliate for the year ended March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Current assets	¥22,397	$228,006
Noncurrent assets	6,349	64,634
Current liabilities	6,664	67,841
Noncurrent liabilities	514	5,233
Net assets	21,568	219,566
Net Sales	46,373	472,086
Income before income tax	11,692	119,027
Net income	7,019	71,455

ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures" issued by the Accounting Standards Board of Japan on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after April 1, 2008. Pursuant to the new accounting standards, information on material affiliate is disclosed for the year ended March 31, 2009.

20. Business Combinations

There was no significant business combinations for the year ended March 31, 2009.

Information on transactions under common control for the year ended March 31, 2008 was as follows:
Air Water Inc. conducted an exchange of shares to make Air Water Safety Service Inc. an affiliated company completely.

(1) Combined entity's name and business
(i) Name and business of combined entity

Name	Business
Air Water Safety Service Inc.	Manufacturing and Sales for medical application and disaster prevention

(ii) Form of reorganization
Exchange of shares

(iii) Name of entity after reorganization
Air Water Inc.

(iv) Outline and purpose of transaction
Against alterative management environment, Air Water Inc. conducted the exchange of shares on August 1, 2007 to establish a more tightly integrated management structure which permitted making decisions more rapidly and improved the thick cooperation.

(2) Accounting method
The Companies applied the following accounting treatments stipulated by the accounting standards for business combinations to the consolidated and non-consolidated financial statements: "Chapter 3, Accounting Standard for Business Combinations, Article 4, Accounting treatment for the transactions under common control, an Paragraph 1, Transactions under common control."

(3) Additional acquisition of subsidiary's shares
(i) Acquisition cost

Common shares	¥2,649 million
Expenses for acquiring the common shares	¥25 million
Acquisition cost	¥2,674 million

(ii) Ratio of share exchange, basis for determination, number of shares delivered and values
(a) Type of shares and share exchange ratio
Common shares of Air Water Inc. 1: Air Water Safety Service Inc. 0.44

(b) Basis for determination of share exchange ratio
Air Water Inc. applied Daiwa Securities SMBC to calculate the exchange ratio, and decided it as a result of consultations among the affected parties used examples from the calculation.

Daiwa Securities SMBC Inc. calculated the exchange ratio for Air Water Inc. and Air Water Safety Service Inc. share after making a comprehensive appraisal using market prices and discounted cash flow methods.

In addition, Air Water Safety Service Inc. used Nagisa audit corporation on its own terms to assure equity and adequacy of the exchange ratio and acquired the authentication as the adequate exchange ratio from a financial standpoint by it.

Additionally, Daiwa Securities SMBC is nota related party to Air Water Inc. or Air Water Safety Service Inc.

(c) Shares delivered and values
2,043,888 shares (1,843,888 new ordinary shares and 200,000 treasury stocks) at ¥2,649 million

(iii) Goodwill, reason for recognizing goodwill, amortization method and amortization term
(a) Amount of goodwill
¥110 million

(b) Reason for recognizing goodwill
The Companies accounted for the difference between the acquisition cost to acquire shares of common stock of Air Water Safety Service Inc. and the amount of minority interests decreased as goodwill.

(c) Method and term to amortize goodwill
Straight-line method over 5 years

21. Subsequent events

Appropriation of retained earnings
The Company's Board of Directors' meeting, which was held on May 15, 2009, resolved the year end appropriation of retained earnings. The appropriations had not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are resolved by the Company's Board of Directors.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥11.00 = US$0.11 per share)	¥2,034	$20,707

To the Board of Directors of AIR WATER INC.:

We have audited the accompanying consolidated balance sheets of AIR WATER INC. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AIR WATER INC. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, Effective April 1, 2007, AIR WATER INC. and its domestic subsidiaries changed the method of depreciation of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 & Co.

Osaka, Japan

June 26, 2009